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How Congress gave U.S. high-tech act new teeth, Page 4

World news

EEC deal on cereal prices proposed

The European Commission proposed a face-saving deal to resolve the EEC cereals' price dispute at talks in Brussels.

Although EEC farm ministers failed to reach a unanimous agreement on price cuts, a package of measures was put forward, which, it was hoped, would appease West German farmers.

Critics saw the agreement as a further departure by the Commission from its original demand for price cuts of 3.4 per cent.

Arms talk deadlock

The U.S. and the Soviet Union ended the second round of their new arms control talks with no hint of progress.

Sino-Soviet pact

Chinese Vice-Premier Yao Yilin returned to Peking from the Soviet Union after signing a $14bn, five-year Sino-Soviet trade agreement.

Naval build-up

A force of about 40 Soviet warships and submarines, that has been building up over the past 10 days, is gathering for a military exercise in the East Atlantic, Norwegian defence officials said.

Pasta subsidy cut

European Community farm ministers agreed to cut subsidies on pasta exports to the U.S. in an effort to avoid a transatlantic "spaghetti war."

Rebel offensive

Afghan guerrilla attacks on communist military posts in the Panjsher Valley have developed into an offensive with heavy casualties, Western diplomats said.

Nicaraguan force

Nicaragua has created an elite quick-reaction military unit trained to fight any U.S. invasion force, Interior Minister Tomas Borge said.

Contaminated wine

More than 1,000 bottles of Austrian wine containing anti-freeze has been found in Switzerland. Meanwhile West Berlin impounded all wine from Austria held by importers in the city.

Kohl accused

West German Chancellor Helmut Kohl will appear before a corruption inquiry on Thursday to answer allegations that he was involved in a tax swindle while a local-government leader in the 1970s.

Rioting continues

South African police said they shot dead a pregnant black woman during rioting at Witbank, east of Johannesburg, as disturbances continued in the country's black townships.

Ramming protest

The U.S. protested to Soviet military authorities over the ramming by a Soviet army truck of a U.S. vehicle carrying members of the American liaison team in East Germany.

Woman's lot

Women do two thirds of the world's work but receive only a tenth of its income, the UN women's conference in Nairobi heard.

Novelist dies

Heinrich Böll, the Nobel Prize-winning West German novelist, died after surgery in Cologne. He was 67.

Test match draw

Cricket: England and Australia drew the Third Test match at Trent Bridge, Nottingham.

Business summary

Indesit loses record L106bn

INDESIT, Italian white goods group, disclosed record loss of L106bo ($57m) for 1984; dismissed and replaced its entire board; but said that negotiations with a potential rescuer were advanced. Page 17

DOLLAR was slightly firmer in London, closing at DM 2.886 (DM 2.877), SwFr 2.393 (SwFr 2.392), FFr 8.7575 (FFr 8.7475) and Y237.7 (Y237.65). However, on Bank of England figures the dollar's exchange-rate index fell to 138.2 from 138.4. Page 31

STERLING showed little overall change in London, closing at $1.388 from $1.3885 previously. It also eased to Y330.0 (Y330.25), was unchanged at SwFr 3.32 and rose to DM 4.005 (DM 4.0) and FFr 12.165 (FFr 12.145). The pound's exchange-rate index was 83.1 from 83.2. Page 31

WALL STREET: At 3pm, the Dow Jones industrial average was up 8.63 at 1,344.09. That compared with the previous record closing high of 1,338.60 set on July 12. Page 38

LONDON equities lost ground after Monday's recovery. The Financial Times Ordinary share index closed 8.5 lower at 928.7. Gilt prices firmed again. Page 38

TOKYO shares advanced for the first time for seven sessions. The Nikkei-Dow market average added 99.49 to 12,698.26. Page 38

BRUSSELS share prices fell sharply as concern grew among investors about the crisis in Belgium's coalition government. The Brussels stock exchange index fell 33 to 2,296.46, its lowest level since May 23 this year. Petrofina, the nation's largest company, fell BFr 30 to BFr 5,580 during heavy trading. Page 38

GOLD rose $3.25 on the London bullion market to $319.75 and $1.00 in Zurich to $317.25. Page 30

POLAND is seeking up to $800m in new credits this year to supplement a debt rescheduling accord signed yesterday with 17 Western nations. Page 2

SWEDEN has granted a 2½-month moratorium on the debts of Consafe, the ailing offshore service company. Page 17

WEST GERMAN Federal Cartel Office yesterday approved the Flick group's planned sale of its arms manufacturing subsidiary, Krauss-Maffei, to a consortium including MBB, the leading aerospace and defence concern. Page 17

LATIN AMERICAN and Caribbean unions meeting in Havana pledged overwhelming support for Cuba's proposal that the region's huge foreign debt should be cancelled.

CROCKER NATIONAL, UK Midland Bank's troubled U.S. subsidiary, managed to post a further modest improvement in second-quarter net earnings to $9.6m from $6m, despite a continuing high burden of problem loans.

SIR JAMES GOLDSMITH, Anglo-French financier, has increased his stake in Crown Zellerbach, the U.S. forest products company, from 26 to 35.6 per cent with share purchases in the market costing around $110m.

TEXAS Commerce Bancshares reported a 33 per cent drop in second-quarter net earnings, contrasting with the sharply higher results produced by other U.S. banks including Citicorp, Security Pacific, Mellon and Wells Fargo. Page 17

BAXTER TRAVENOL, the U.S. medical products group which earlier won control of American Hospital Supply with a $3.8bn agreed bid, yesterday reported an 8 per cent decline in second-quarter earnings. Page 17

WE REGRET North American stock price listings were not available for this edition because of the failure of a computer used by our Frankfurt printers.

Brussels lifts steel aid deadline but tightens conditions

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission yesterday accepted that government subsidies to EEC steel producers would have to continue beyond December 31, when all state aids were supposed to cease.

Mr Peter Sutherland, the Commissioner responsible for competition insisted, however that aids would have to be tied to plant closures, environmental schemes or research and development. Outright operating subsidies, and aids to investment will be banned from that date if the Commission proposals are approved.

The retreat from the Commission's previous absolute insistence on phasing out subsidies from the end of 1985, when the current five-year restructuring programme for the industry runs out, was spelt out by Mr Sutherland and Herr Karl-Heinz Narjes, the Industry Commissioner.

They outlined their plans for a three-year programme of gradual relaxation of the quotas and controls affecting the European steel industry, including special provision for continuing state subsidies for plant closures.

Their plans, to be presented to EEC industry ministers in 10 days' time, aim to ease the industry back to free competition after the drastic restructuring of the past five years, during which time capacity has been reduced by some 32m tonnes, and 200,000 jobs have been cut.

But Brussels still wants to achieve further cuts in surplus capacity, which the Commission estimates at some 20m to 25m tonnes of hot-rolled steel.

The new programme would come into effect after December 31, when all current investment and operating subsidies to EEC steel companies are supposed to finish.

The key features, outlined yesterday by Herr Narjes, Mr Sutherland and Mr Grigoris Varfis, the Commissioner responsible for regional policy, include:

- Ending the present minimum price system for steel products;
- Two-stage phasing out of production quotas, first for long products 18 months to two years, and for flat products by the end of three years;
- Prohibition of investment and operating aids from December 31;
- Permission for special state subsidies for environment protection programmes, research and development, and for plant closures; and
- Increased and better co-ordinated spending on regional and social programmes in areas hit by steel closures.

Mr Sutherland said the aid for plant closures was necessary because of the continuing overcapacity of the industry in the EEC, in spite of its success in meeting the Commission target of 30m tonnes of capacity cuts for hot-rolled products by the end of the year.

Such subsidies would be very strictly controlled, he said, in accordance with the determination of the Commission not to allow any distortion in the conditions of competition in the marketplace. They would have to be limited to meeting the immediate costs of

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British Steel Corporation made a "clear operating profit" in the first quarter of 1985-86 which began on April 1, for the first time in more than a decade. Last year the corporation made a pre-tax loss of £484m ($560m). News analysis, Page 6; Lex, Page 16

Attempting to square the CAP circle, Page 15

Baudouin rejects resignation of Martens coalition

By Quentin Peel in Brussels

BELGIUM'S four-party coalition government yesterday tottered but failed to fall, after King Baudouin refused to accept the resignation of M Wilfried Martens, the Prime Minister.

M Martens's move followed the resignation on Monday night of six Cabinet ministers in the political row over responsibility for the football tragedy at the Brussels Heysel stadium in May.

The Belgian Premier persuaded his bickering coalition partners to remain in office long enough to complete the key parts of the Government's economic programme — with the promise of a general election in October, two months early.

The dramatic events of the day began with an emergency Cabinet meeting at which M Martens failed to reconcile the two warring French-speaking factions in his administration — the Liberal Reform Party (PRL) headed by M Jean Gol, and the Social Christians (PSC) headed by M Charles-Ferdinand Nothomb.

The two parties were at loggerheads over the refusal of M Nothomb to resign as Interior Minister, and thereby take personal responsibility for the failure of the Belgian police to prevent the tragedy at the Heysel stadium when 38 fans died in the crowd at the Liverpool-Juventus European Cup final.

M Gol and five Liberal colleagues resigned in protest.

M Martens immediately left the Cabinet meeting for the Royal Palace, where he presented his Government's resignation, only to have it placed "in abeyance" by the Belgian monarch.

After further consultations with the party leaders, King Baudouin formally rejected the resignation of the centre-right coalition, and instructed the Prime Minister to carry on.

The outcome means that both M Gol and M Nothomb will continue in office as deputy prime ministers, and postpone their public arguments until the October election, when both will compete for the conservative votes in Brussels and the French-speaking province of Wallonia.

M Martens said last night that the reprieve would mean his Government could complete the key parts of its economic recovery programme, including tax cuts currently before the Belgian parliament, and simultaneous trimming of the 1986 budget. Constitutional reform measures are also on the way.

He blamed the "catastrophe" in

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UK reverses policy on job relocation

BY JOHN LLOYD, WILLIAM DAWKINS AND PETER RIDDELL IN LONDON

BRITAIN'S Conservative Government said yesterday that it would use state funds to encourage companies to shift orders away from areas of relative prosperity, such as south-east England, to areas of particularly high unemployment.

That is an explicit reversal of the Government's favoured philosophy of workers moving to growth areas for jobs. The latter was succinctly expressed when Mr Norman Tebbit, then Employment Secretary, told the House of Commons of his father, unemployed in the 1930s, mounting his bicycle to seek work.

Mr King, the current Employment Secretary, told a Confederation of British Industry conference in London yesterday that "the famous 'on your bike' approach... has its limits."

Mr King plans to use part of the substantial funds available to his department and to the Manpower Services Commission — now reaching £26m ($36m) — to lure company orders away from areas where high order books coincide with growing skill shortages. The funds would be targeted on training workers in high unemployment areas to enable them to fill the orders that would be redirected to factories near them.

Mr King said that "on your bike" still worked for many — but that "there are obvious limits to this and clear problems for many people about moving." Mr King has been impressed by learning of the difficulties middle managers from Scotland and Northern England have found in obtaining employment in south-east England — especially over the high cost of housing and their inability to afford a move for their families.

In a separate move aimed at increasing employment, Lord Young, minister with special responsibility for job creation, is to create a central task force charged with reducing the burden of official red tape on businesses and simplifying existing controls.

The new task force was announced yesterday as part of a package of almost 80 measures in a Government White Paper (policy document) on deregulation.

"Regulation remains a major obstacle to the growth of enterprise and employment," according to the document. "All regulations have a cost, and very often that cost is someone else's job," Lord Young said.

The document received an enthusiastic welcome from business lobby groups, tinged with caution over the real extent of the new task force's powers.

Business plea for job creation; UK industrial production flat, Page 8; Editorial comment; Rising tide of unemployment, Page 14; Lex, Page 16

German growth 'unlikely to ease unemployment'

BY RUPERT CORNWELL IN BONN

STEADY, unspectacular growth which is likely in West Germany over the next 18 months may have little effect on the country's stubbornly high rate of unemployment, the Organisation for Economic Co-operation and Development (OECD) warns today. The Bonn Government is firmly advised against "complacency."

In its latest annual survey of Western Europe's most powerful economy, the Paris-based OECD compliments the centre-right Bonn coalition on its "satisfactory" macro-economic performance since taking power in the autumn of 1982, and steers clear of any overt call for the reflationary measures advocated by other analysts to create new jobs.

The report, however, does betray the fears of the OECD secretariat that the current upswing may be too heavily dependent on exports. It also lists a series of structural improvements, including a real cut in subsidies and greater privatisation, which Bonn, in the OECD's view, has so far failed to push through.

The short-term forecasts of the OECD conform broadly with those of the Government and most independent economists. Growth is likely to reach 2.5 per cent this year and 2.8 per cent in 1986, with the slight acceleration due to the DM 11bn ($3.82bn) of tax cuts due to take effect next year.

Inflation this year and next will hover around 2.3 per cent, while the combination of sustained international competitiveness and an expanding world market is likely to see further increases in West Germany's already massive current-account surplus.

The OECD reckons that the current surplus will practically double in 1985 to a record $12.7bn, and jump further in 1986 — on the basis of unchanged policies and exchange rates — to $16.5bn.

Exports are set to grow by 7.5 and 6.7 per cent in 1985 and 1986 respectively, compared with growth of only 4.4 and 5 per cent for imports. As a result, "the real foreign surplus may contribute half of the projected expansion in real GNP in 1985," the report suggests.

Despite a predicted surge in spending on machinery and equipment by German industry, domestic demand will remain sluggish this year and in 1986. One factor behind that is the slow growth of private consumption, for which the

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Bundesbank call on financial frontiers, Page 16

Athens to buy ailing Hellenic Shipyards

BY ANDRIANA IERODIACONOU IN ATHENS

THE GREEK Government is to buy the ailing Hellenic Shipyards, owned by Mr Stavros Niarchos, which suspended operations last April with the threat of 4,800 jobs cuts because of heavy losses and chronic strike problems.

A terse statement issued jointly by the state-run Hellenic Industrial Development Bank, which has led the negotiations for the Government, and the shipyard's management, said only that a final agreement on the purchase will be signed by the end of July.

According to a Hellenic Shipyards spokesman, all the main requirements for the purchase, including the price, have been agreed. But neither the yard's management nor the Government would reveal details. The price was known to have been one sticking point in the protracted and difficult negotiations for the shipyard purchase, with Hellenic's management demanding $14m and the Government offering $10m.

The Socialist Government was believed to have questioned figures given by the shipyards management which put the net worth of the company at $100m. Debts amount to $20m, of which 60 per cent is in foreign currency.

The Socialists have been reluctant to add Hellenic Shipyards to the total of more than 30 over-borrowed companies they have already taken over in an attempt to stop job losses. But it has always been assumed that the Government would not allow the yard, one of Greece's largest industrial employers, to close down because the political cost would be too high.

Israeli general strike averted

BY DAVID LENNON IN TEL AVIV

THE ISRAELI Government averted the threat of a general strike yesterday by signing an agreement with trade unions over wage levels for the next nine months, which will soften the impact of the new austerity programme on wage-earners.

The agreement, reached in the early hours of yesterday, provides graduated compensation for inflation during the coming months which will be less than would have been paid to workers under the existing payment agreement.

At the same time, the new pact does offer the earners larger rises than had been provided for when the Government announced its austerity measures two weeks ago.

The softening of the Government's plans came in the wake of selective strikes during the past 10 days and in the face of a threatened unlimited general strike from yesterday if no deal had been reached.

Mr Yitzak Modai, the Finance Minister, insisted yesterday that the wage increments agreed fell within the parameters of the original government proposal which the Cabinet had intended to impose by emergency decree.

However, the Histadrut trades union federation's central committee approved the new agreement yesterday, a clear indication that it was pleased with the deal and the Government's agreement to abandon the idea of using emergency decrees to set wage levels.

Mr Shimon Peres, the Prime Minister, who threw his weight behind the new plan and personally conducted negotiations with the Histadrut, said: "Inflation has been stopped." He added: "There will be a few difficult months ahead, but these are the months which can bring a turnround in the economy."

The agreement sets out the levels of compensations which wage-earners will receive between now and March 1986, provided inflation declines to a monthly level of 2 per cent by the autumn, as predicted by planners of the new programme.

The plan calls for a three-month freeze of wages, prices and the exchange rate, with the aim of reducing inflation from the current monthly level of at least 15 per cent. If that is achieved, the long-standing arrangement linking wages automatically to the cost of living index will be severed.

The indexation that made it so difficult to curb Israel's inflation — and which stems basically from deficit financing, by the Government — will have been neutralised if the plan works. That explains the Premier's optimistic, and possibly premature, declaration that inflation is dead.

Marathon negotiations, which ended at 5am yesterday, produced agreement on partial compensation for inflation in the coming months that lies somewhere between what the Government thought and the unions demanded.

Private sector workers will receive a 14 per cent pay increase in August, as the Government originally offered. In addition, they will get a 12 per cent pay rise in September. Tax brackets will be amended in October, and there will be a flat rate 4 per cent increase in December and January pay packets and 3.5 per cent in February.

Meanwhile, negotiations will continue between the Government and the Histadrut on compensation for wage erosion in the public sector and also on the Government's plan to dismiss 10,000 workers.

CONTENTS

Eureka's guiding hand adds a sense of adventure

In the second of two articles in advance of today's ministerial meeting, David Housego talks to a French sociologist who helped shape the proposal.

M YVES STOURDZE is a tousle-haired and earnest young French sociologist who first made his name as the author of comparative studies on how France and the U.S. reacted to the arrival of the telephone. If any one French hand has shaped the technical planning behind the Eureka project, it is his.

M Stourdze would not claim to be the initiator of the Eureka idea. The credit for that goes to M Jacques Attali, President Francois Mitterrand's right hand man on international economic issues. It was he who argued that growing European worries over the U.S. Strategic Defence Initiative (SDI) and over America's lead in high technology provided an opening for the launch of a project for European collaboration that the French have long had up their sleeve.

In the circle of advisers and specialists on whom the President draws, however, M Stourdze has had a role in attempting to transform M Mitterrand's fascination with the white heat of the technological revolution into a more workaday reality.

M Stourdze, 37, is head of the Centre d'Etudes des Systemes et des Technologies Advancees (Cesta) set up in 1982 through M Mitterrand's support as a futuristic institute to assess and promote high technology. He is a former professor at Paris Dauphin university.

He was the main French representative on the international commission on technology, growth and employment established in 1982 by the Versailles summit of industrialised nations to track potential technological developments up to the year 2000.

The further defining of what Eureka would involve fell naturally into his lap. Cesta organised the technical meetings of French industrialists and officials to discuss the potential range of projects on which European industry might collaborate. It also prepared the white paper of French proposals for today's ministerial meeting entitled "Eureka — the Technological Renaissance of Europe."

These activities have helped strengthen M Stourdze's belief that high technology involves the breaking down of barriers between different specialisations and industries that until recently have had few points in common.

It also requires the bringing together of people of different intellectual backgrounds, nationalities and race (he is one of the few people to think that Europe's diversity of languages and culture is as much of an advantage as the racial mix of California was to Silicon Valley).

He also believes that high technology must involve collaboration between the giants of industry like IBM, Olivetti and Philips, the smaller Silicon Valley-style high-risk ventures, and governments (he points to the financial difficulties of electronics companies such as Trilogy, Gavilan, Atari and Osborn in the U.S. and Acorn and Sinclair in Britain to argue that smaller firms cannot go it alone).

M Stourdze says it requires a new management approach to encourage small heterogeneous teams free from bureaucratic procedures. "There is a touch of genius everywhere. The difficulty is bringing it together." Research, he says must be linked to production and distribution.

He has a knack of finding a striking image to convey his thoughts, comparing to a convoy the mixture of large and small corporations backed by state support that he thinks will be needed to make Eureka successful. "You need small speedboats, but you also need aircraft carriers. And with them you need helicopters as well."

Cesta founded, not with standing budget stringency, through the direct support of the President, the Prime Minister and the Minister of Industry and Research. It has given M Stourdze the chance to put his ideas into practice.

In the old Ecole Polytechnique buildings in the Rue Descartes, he has rooms where seven-year-olds can study robotics, and software libraries for teachers. To the newcomer he describes Cesta as "adventure, passion, conviction."

He organised the first conference that gathered together image processing specialists from every field — medical, metallurgical and audio-visual; and he organised another for researchers working in hostile environments such as outer space, under sea or in high-risk chemical or nuclear ventures, from which a book emerged "on the conquest of the inaccessible."

Following his work on the technology commission set up after the Versailles summit, M Stourdze concluded that the U.S. commitment to free trade was largely negated by its equally strong determination to prevent technology transfers that might be of military value to the Soviet Union.

He argues that military value is difficult to define at a time when the frontiers between military and civil technology, and between professional and consumer electronics are "being torn apart." Almost all civilian technology could be considered as having a "confidential defence" value, he says.

It was only a short step to Eureka from this assessment of the U.S. reticence to collaborate with its partners in high technology areas, he says.

He lists three priorities for Europe: a programme to provide a space station, a rocket and a space shuttle; an energy programme including the development of a fast breeder reactor; and, most difficult of all programmes to organise Europe-based projects in chips, computers, biotechnology, new materials, robotics and artificial intelligence.

M Stourdze's model for European co-operation is the Airbus or the European Space Agency, which provide a "variable geometry" of participation according to each nation's interest.

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Netherlands makes big offshore gas find

By Laura Raun in Amsterdam

AN IMPORTANT offshore gas discovery has been made in the Dutch sector of the North Sea that could indicate a valuable new field.

The Dutch Oil Company (NAM), which is jointly owned by Royal Dutch/Shell and Exxon, said an appraisal well in block L13 north-west of Den Helder has produced high calorie gas at a rate of 2m cubic metres a day.

Gas wells often produce only hundreds of thousands cubic metres daily, and the new find could amount to one-tenth of total Dutch offshore production, which is around 28m cubic metres a day.

Further test wells must be drilled to determine whether a previously undiscovered field exists in the continental shelf, a NAM spokesman said yesterday. The 3,790 metre deep well is the fourth test well to find gas out of a total of seven in the L13 bloc.

The Netherlands, which produces 68bn cubic metres of gas a year, is the fourth largest producer in the world and the second largest next to the Soviet Union.

A significant gas discovery would be welcomed as reserves actually shrunk to 2.2 trillion cubic metres in 1984 after continuous and sometimes large upwards revisions in recent year. New found reserves failed to offset a fractional increase in sales last year.

In a significant shift in gas policy, the Dutch agreed in the past year to increase exports at the end of this century by extending current contracts that were to expire by the mid-1990s.

The Dutch previously had curbed exports in order to ensure ample domestic supplies, but liberalised their policy when their European market share and sales revenue appeared endangered. Gas receipts account for 12 per cent of total government revenue. Competition from the Soviet Union and Norway, export prices for existing contracts also were trimmed through a closer link to gasoil.

Europe presently is oversupplied with gas because of increasing conservation, and energy diversification and probably will not see strong demand again until the mid 1990s.

France reports FFr 1.9bn June trade surplus

BY PAUL BETTS IN PARIS

FRANCE yesterday reported a visible trade surplus of FFr 1.993bn (£164m) last month on a seasonally-adjusted basis and a stable rate of unemployment.

These results will bring some comfort to the Socialist Government of M Laurent Fabius who became Prime Minister exactly a year ago today.

The trade surplus follows a string of consecutive monthly deficits so far this year and reflects a big improvement in the country's energy trade deficit.

The June trade surplus brings the cumulative trade deficit to about FFr 14.3bn in the first half of this year. The cumulative deficit had stood at FFr 16.3bn at the end of May after a May deficit of FFr 1.2bn and a bad April trade deficit of FFr 4.2bn.

The latest trade figures back up a recent French economic forecast of an overall deficit this year of about FFr 20bn, or similar to the trade deficit in 1984. Exports in June showed a slight 0.1 per cent improvement over the previous month, while imports were 4 per cent lower.

The major factor to swing the June trade figures back into surplus was a sharp decline in the energy deficit which totalled FFr 13.2bn last month.

It had averaged FFr 17.3bn a month during the first five months of this year and FFr 15.6bn a month last year. The cold winter pushed the energy bill up in the first part of this year.

Unemployment figures released by the Labour Ministry yesterday show a slight drop in the number of people looking for jobs in France in June and a stable unemployment rate of about 10.3 per cent.

The number of job-seekers last month totalled just over 2.4m or about the same level as at the end of last year. French unemployment has shown a modest declining trend so far this year, except for January and May.

However, the Government's community work and job training programmes have helped soak up a large number of young people who would otherwise have been included in the unemployment statistics.

Despite the latest trade and unemployment figures, the overall economic picture remains uncertain.

Only last week, the French national statistics institute, Insee, warned that economic growth this year was not expected to total more than 0.8 per cent and that unemployment was likely to rise again.

Compromise ends dispute over EEC cereals prices

BY IVO DAWNAY IN BRUSSELS

A FACE-saving deal to resolve the four-month-old EEC cereals price row was reached last night when the European Commission granted concessions to West Germany in return for an end to the deadlock.

Although the farm ministers failed once again to reach unanimous agreement on a 1.8 per cent price cut, a package of management measures tabled by the Commission will allow Herr Ignaz Kiechle, the West German minister, to sell the compromise to his farmers.

The trade-off means that West Germany can continue to claim that it has stood by its refusal to sanction the price cut, but has nevertheless won concessions from Mr Frans Andriessen, the Farm Commissioner. In return, Bonn will concede that the Commission was within its powers to force through the price cut despite the West German veto, and will drop its threat of legal action.

The Commission's new measures, however, will further reduce the little impact the 1.8 per cent price cut was intended to have. And the final unofficial agreement will be seen by proponents of a strict price policy as a further departure by the Commission from its original tough demand for cuts of 3.4 per cent.

The management measures that led to the breakthrough involve a reduction by one month in the four months' delay period between the date farmers sell their grain to Community stores and that on which they receive payment for it. For small farmers this will be cut by two months.

According to some analysts, the value of this saving is equivalent to a one percentage point reduction in the price cut for each month the payment delay is reduced.

The Commission has also agreed to special sales of 3m tonnes of medium quality wheat at a 5 per cent premium over the new prices at the end of the season. Carry-over payments, used to breach the seasonal fall in prices at the beginning of each harvest for stocks still in store, have also been revived.

Defending his decision, Mr Andriesen said last night that the measures were not concessions to the West Germans, but simply protective options for smaller farmers that the Commission had always reserved the right to take.

EEC farm policy, Page 15

Soviets discover oil in Caspian

By Patrick Cockburn in Moscow

THE SOVIET UNION has made its first significant oil find in deep water in the Caspian Sea, the Soviet news agency, Tass, said yesterday.

The well, 100 km from the city of Baku, yielded 2,500 barrels a day of crude at a depth of 123 metres.

The Soviet Union is giving increased priority to offshore drilling for oil in the Caspian Sea, off Sakhalin Island in the Far East, and in the Baltic. That is to make up for a slight fall in oil production to 613m tonnes last year.

The only Soviet offshore oil production at present is in shallow water in the Caspian but there should be 12 mobile rigs operating in the area by the end of the year.

New shipyards at Baku and Astrakhan on the Caspian Sea and Vyborg on the Baltic can produce platforms and rigs but significant orders for offshore equipment and expertise are expected to be placed abroad.

Tass said that 14 offshore oil deposits were now being exploited in the Caspian.

Meanwhile, it was announced in Moscow yesterday that Soviet scientists, technicians and engineers would be able to get 50 per cent increases in pay under a new system of bonuses under a decree of the Communist Party Central Committee.

The aim is to link more closely the performance of technicians with their pay. The lack of such incentive payments has been blamed for a lack of interest at plant level in the introduction of modern technology.

Local enterprises will have a limited ability under the new decree from the start of next year to increase or lower the salaries of technical staff according to their performance.

Finland signs fertiliser deal with Pakistan

By Olli Virtanen in Helsinki

FINLAND'S state-owned fertiliser company, Kemira, has signed a FM 660m ($110m) bilateral trade agreement with the Pakistan Government. The deal runs to the end of 1986 and will also involve substantial trading with third countries.

Kemira's fertiliser exports will account for a third of the total FM 330m exports. The rest consists of other Finnish products such as communications, hospital and oil-drilling equipment and earthmoving machinery as well as lifts.

Pakistan will fill its quota by exporting cotton textiles, leather and other commodities.

The deal more than doubles the trade agreement Kemira and Pakistan have for 1984-85. The level was raised at the request of Pakistan, which was anxious to increase trade without the need for hard currency.

Norwegian credit target exceeded

By Flemming Dahl in Oslo

LOANS GIVEN by Norwegian commercial and savings banks in January-June this year amounted to NKr 18.2bn ($2.2bn) although the Government had aimed at NKr 8.8bn.

The figure also exceeded the NKr 17.5bn which the Government had set for 1985 as a whole.

Norway's Minister of Finance, Mr Rolf Presthus, said he expected credit market measures introduced last month to show the results this month.

New chapter opens in Poland's debt saga

BY CHRISTOPHER BOBINSKI IN WARSAW

THE SIGNING this week of an agreement rescheduling Polish debt repayments due to Western governments between 1982 and 1984 may close a chapter, but it by no means ends the story of the country's tussel with its Western debt which is expected to reach $30bn by the end of the year.

Talks on the agreement, putting off repayment of $11.3bn for 11 years with a five-year grace period, have dragged on for two years, and even as it was signed there are doubts whether even this year's payments can be met. There is also $1.5bn worth of payments to Western governments falling due next year which have to be rescheduled, and repayment of $600m of 1986 debt to be put off.

Under this week's accord with the Paris club some $1.3bn will have to be paid by the end of the year. Polish finance officials say that although hard currency export earnings after five months are 5 per cent behind last years', the planned $2bn payments surplus for the year is within reach.

But there are also agreements with Western private banks to be serviced. Those entail payments this year of $1.4bn. And 1985 is the first year that Poland starts repaying capital on debts rescheduled by the banks in 1981.

Warsaw has assumed that the resulting payments gap this year can be met with fresh Western government trade credits of $600m-$800m. Those governments, however, unimpressed by Poland's human rights record and unenthusiatic about its economic prospects, are loath to lend more money. Only West Germany, Italy and Austria have held out hope of new loans.

Now the Paris Club agreement is signed, other countries may be more forthcoming. But, even so, Polish officials caution that there are practical difficulties in arranging and drawing down trade credits by the end of this year.

For the present, Poland hopes the way is now open to what it calls normalisation of trade with the West. This means that, with the shadow of the outstanding 1982-84 debt removed and payments to Western banks running more or less smoothly, the country's credit rating will inch itself off the floor.

There may no longer be demands by Western suppliers that purchases of goods be prepaid, and some short-term trade credit may be made available. The agreement should also open the way to industrial co-operation with the West which underpinned Polish exports in the 1970s whereby Poland provided components for goods assembled in the West, or itself put together in the wake of sanctions which followed martial law in 1981. There is also evidence of a revival of interest in Poland as a trade partner. A record number of Western businessmen attended last month's Poznan trade fair. The word has got round that, despite its parlous economic position, the country last year still purchased $4.8bn worth of goods and the payments were prompt.

Clearly Poland, whose hard currency export earnings last year rose by 7.6 per cent to $6.3bn thanks to record foreign sales of coal, can no longer rely on growing sales of raw materials. The next five-year plan for 1986-90, which assumes an ambitious 9 per cent annual growth in hard currency sales, admits that raw materials' exports can only grow by a 1-2 per cent at the most.

Poland is seeking $600m-$800m in government-guaranteed trade credits from the West to bolster its economic growth potential in the wake of Monday's debt rescheduling accord, writes David Marsh in Paris.

Mr Stanislaw Nieckarz, the Polish Finance Minister, said yesterday that the agreement made no explicit mention of new credits. Polish officials said countries were ready to provide fresh credits to confirm the resumption of normal economic relations, but declined to give any details.

Mr Nieckarz said even the U.S., which has been foremost in refusing to link the issue of new loans to the rescheduling deal, knew that the provision of fresh money was ultimately in the creditors' interest.

Yugoslavia and banks set to make progress

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

YUGOSLAVIA SEEMS poised to make a breakthrough in talks with its main creditor banks on a plan to reschedule some $3.5bn (£2.5bn) in debt falling due between now and the end of 1988.

This follows a round of exploratory discussions in New York last week during which Yugoslavia agreed in principle to a scheme whereby its economic performance could be monitored during the life of the rescheduling.

The New York talks are now expected to be followed at the end of the month by a full meeting of the International Co-ordinating Committee of leading bank creditors which is chaired by Manufacturers Hanover and could agree final terms of the rescheduling.

Such agreement would come not a moment too soon for Yugoslavia whose rescheduling discussions have been stalled since April following disagreement on economic monitoring and on the interest margin Yugoslavia would pay on its rescheduled debt.

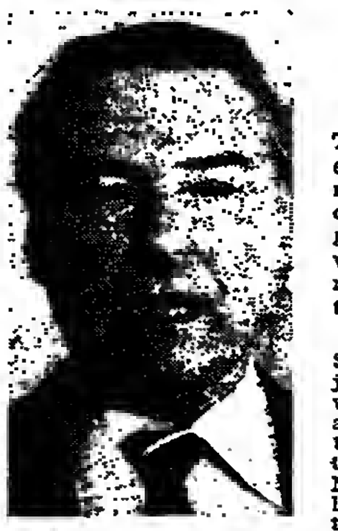
The International Monetary Fund has warned both the government of Prime Minister Milka Planinc and the bank negotiators that it will only disburse the next SDR 80m instalment of its current SDR 300m (£219m) loan if progress is made in the rescheduling negotiations. The payment is due in mid-August.

In last week's talks Yugoslavia informally agreed targets for two key economic indicators, foreign exchange reserves and export growth. If they are not met, Yugoslavia would automatically have to negotiate a new economic programme with the IMF under the terms of any rescheduling.

Still open, however, is the vexed question of interest rates, with banks sticking to their former demand for a 1¼ per cent margin over Eurocurrency deposit rates. Yugoslavia only wants to pay 1 per cent margin on its rescheduled debt.

This could still cause the new round of talks to break down again, but one positive sign is that Yugoslavia has signalled its willingness to drop an earlier request for the interest margins on its previous reschedulings to be revised downwards.

● Yugoslavia recorded a $304m hard currency trade deficit in January-May this year, markedly worse than in the same period of 1984, Aleksandar Lebl reports from Belgrade. But official figures for the first six months show the high inflation rate easing and a modest pick-up in industrial output and exports since May.



Karpov: "No progress"

Geneva arms negotiations recess

BY WILLIAM DULLFORCE IN GENEVA

THE U.S. and the Soviet Union ended the second round of their nuclear arms talks here yesterday with no hint of any progress having been made but with surprisingly different summaries by the chief negotiators.

Mr Viktor Karpov of the Soviet Union briskly told journalists that no progress whatsoever had been made since the resumption of the talks on May 30. He reminded them of a statement by Mr Mikhail Gorbachev, the Soviet leader, at the end of last month that if the U.S. continued with its Strategic Defence Initiative (SDI), the so-called Star Wars programme, the Soviet Union could quit the talks.

In much milder tone, Mr Max Kampelman, the U.S. chief negotiator, said in a prepared statement that the U.S. had recognised from the outset that no easy or quick agreement could be obtained from such complex negotiations.

He had noted a greater emphasis on dialogue and less on polemics on the Soviet side. The U.S. would resume the talks on September 19 with continuing determination to obtain "an effective, equitable and verifiable agreement," Mr Kampelman concluded.

The talks have been stalled since their beginning in January over the Soviet insistence that the U.S. renounce its SDI. It has been said that only a summit meeting between President Ronald Reagan and Mr Gorbachev could resolve the issue.

The third round of talks will resume before the summit scheduled to take place here in November, but Mr George Shultz, the U.S. Secretary of State, will have the chance to discuss the deadlock in Geneva with Mr Eduard Shevardnadze, the new Soviet Foreign Minister, in Helsinki at the end of this month.

Spanish economic priorities 'to stand'

BY TOM BURNS IN MADRID

SPAIN'S new Economy and Finance Minister, Sr Carlos Solchaga, went out of his way yesterday to dispel concern that the departure of Sr Miguel Boyer, his predecessor, from the Government earlier this month would weaken the austere management of the Spanish economy.

Sr Solchaga used his first press conference since his appointment to insist that his main priorities would be to control inflation and to reduce the budget deficit.

The insistence was in response to speculation that Sr Solchaga would be forced into a high-spending electoral budget because general elections are due before the autumn of next year.

Sr Solchaga said it would be "suicidal" to undo the sacrifices undertaken during the past 2½ years of Socialist Government austerity measures. He said his opinion was "in general" shared by members of the Cabinet and "in particular" by Sr Felipe Gonzáles, the Prime Minister.

The new minister said it would be a grave political error to boost public spending and that the electoral benefits of such a policy switch would be "ephemeral."

There is a widespread belief in Madrid business and banking circles that Sr Boyer had tendered his resignation because his hopes of upgrading his portfolio to the rank of Deputy Prime Minister in order to pursue austerity with increased zeal were thwarted by Cabinet colleagues who cited the damaging electoral effect of Sr Boyer's stewardship of the economy.

Sr Solchaga's remarks were also designed to meet a warning on the necessity of maintaining a tight hold on spending issued by the International Monetary Fund — and most recently by the private domestic bank Banco de Bilbao — in their reviews of the Spanish economy.

The Economy and Finance Minister said he was confident that he would obtain Cabinet approval for a 1986 budget that would reduce, against last year, the deficit as a proportion of the gross domestic product. Sr Solchaga has to submit his budget proposals to parliament by September 30.

Sr Solchaga gave a moderately optimistic diagnosis of the economy's state of health and stressed in particular that Spain would have a current account surplus this year of between $2bn and $2.3bn for the second year in succession. He forecast that reserves would be up by $3bn. Last year, reserves grew by $4.6bn to stand at $15.7bn.

Among the signs of economic recovery were indicators of a net growth in capital investment this year for the first time in four years and figures which showed that unemployment, which is hovering close to 3m, had ceased to grow. In June, there were 11,000 fewer unemployed than there were in December.

Sr Solchaga predicted that December to December inflation at the end of this year would stand at 7.9 per cent. That is above the Government's original target of a 7 per cent consumer price index rise for 1985, but it is an improvement on last December's 9.2 per cent rate.

Sr Solchaga said that sharp price rises in the first quarter of this year had been arrested.

The minister's current prediction is that during 1985 the Spanish GDP will grow by 1.9 per cent. This represents a severe adjustment from an original target in the Government's mid-term economic plan of 3 per cent growth this year.

Swedish trade surplus picks up during June

By Kevin Done, Nordic Correspondent, in Stockholm

THE SWEDISH trade surplus improved in June following a dismal performance in the first part of the year when exports were depressed first by bad weather and then by a public sector strike which virtually closed the main ports.

The value of exports increased by 16 per cent in June to SKr 23bn (£1.9bn) compared with a year earlier, while imports rose by 13 per cent to SKr 19.8bn. The surplus was SKr 3.2bn compared with SKr 2.2bn.

It is probable, however, that the stronger performance partly reflects exports delayed by the public sector strike in May. Seasonally adjusted, the surplus in June was SKr 2bn.

For the first six months, Sweden's trading performance has faltered badly. The trade balance shows a surplus of only SKr 5.6bn compared with SKr 15.8bn in the same period last year.

While exports in the first six months have been largely unchanged in volume (plus 6 per cent in value), imports have jumped sharply, helped by higher industrial investment and a continuing consumer spending boom with an increase of 16 per cent in value and some 10 per cent in volume.

The deterioration in the trade balance has pushed the current account deeply into deficit which triggered a crisis of confidence in the Swedish krona during the first half of May. Financial markets were watching carefully for the June trade figures in the wake of last week's one percentage point cut in Swedish interest rates.

According to the Central Statistical Office, the volume of Swedish exports in the second quarter of the year was clearly above the level of the corresponding period last year, with a marked improvement on the first quarter.

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Lebanese Christian factions join forces

By Nora Boustany in Beirut

RIVAL Christian groups announced a merger as a Syrian-sponsored security plan got underway in the chaotic Moslem half of the capital, but inter-city routes linking Christian and Moslem sectors remained closed.

After three months of bitter feuding, the Christian Phalange Party and the more militant Lebanese Forces announced they were joining their security arms in a bid to put an end to deteriorating conditions on the ground and to unify ranks.

Mr Alfred Madi, a senior member of the Phalange Party and a former participant in its politburo, explained that the move was aimed at forging a joint strategy for negotiations with Syria, the U.S. and the Vatican. "How can we as Christians talk to anyone when we are splintered into factions?" he asked.

In fact, a blunt statement by Mr Walid Jumblatt, the Druze leader, over the weekend stressing that a settlement with the Christians was impossible as long as the Phalange were in power appeared to have shaped the new Christian resolve to patch up internal differences.

Mr Jumblatt told a group of his Druze fighters that there had to be a victor or a vanquished. "Either they kill us or we kill them," he said to a roar of applause and cheers from co-religionist militiamen lunching at his ancestral Chouf Mountain home in Mukhtara.

Mr Elie Hobeika, the new Christian strongman and chief of the 10-man executive committee of the Lebanese Forces, announced, following a meeting with Phalange Party head Dr Elie Karameh, that "all military party forces in free (Christian) areas will be merged within the military structure of the Lebanese Forces." He said the same applied to Phalange Party security organisations.

Phalange officials explained that this meant that Phalange security and militia elements, now concentrated in the Maten region north-east of Beirut, would be dismantled to work jointly and co-ordinate with Lebanese Forces commanders in an operations room. This was the formula used during the days of Mr Bashir Gemayel, the late president-elect

China shifts investment priorities

BY ROBERT THOMSON IN PEKING

IN A significant reassessment of the value of developing coastal cities as beacons for foreign investment, the Chinese Government has decided to focus on only four of the 14 coastal cities it has opened to foreign capital.

The change in direction was revealed by State Councillor Gu Mu, in a meeting with a visiting Japanese business delegation. He told the delegation that the Government would give "priority of support" to Shanghai, Tianjin, Dalian and Canton, where "fairly good" conditions for foreign investment exist.

According to the Chinese news agency, Xinhua, Gu said the other 10 cities lacking such favourable conditions would "slow down the signing of contracts with foreign investors," but "the slow-down is only a temporary phenomenon."

His statement is in contrast to a prediction he made in January that China was planning to open even more coastal areas to foreign investment. And senior government officials had confidently predicted that the whole Chinese coastline would be developed for investment.

The reassessment comes after a series of statements by the Chinese leader, Deng Xiaoping, that the Shenzhen special economic zone, seen by many Western business people as a barometer of Chinese economic policy, is an "experiment."

There is also believed to be debate within the Chinese leadership over whether too much is happening too soon, and the Government has already made it known that joint ventures will now be considered in light of the dramatic fall in China's foreign exchange reserves.

The 10 cities, opened only last year, to experience the "slow-down" are: Qinhuangdao, Yantai, Qingdao, Lianyung Ng, Nantong, Ningbo, Wenzhou, Fuzhou, Zhanjiang and Beihai.

Trademark piracy under attack

BY OUR PEKING CORRESPONDENT

THIS land of increasing consumerism—where you can buy a "Sharp" calculator, and numerous other goods with names and packaging not far removed from well-known foreign brands—has discovered that the flourishing imitation industry has turned on China's own products.

Thousands of the famous "Flying Pigeon" bicycles, the Rolls-Royce of Chinese bikes, have been found to be not "Flying Pigeons" at all. The same goes for other popular bicycle makes such as the "Forever," and the "Phoenix."

An enterprising factory in Jiangsu province, in realising that better-known brands sell better, has been turning out bicycle after bicycle with the "Phoenix" and "Forever" trade mark, and peddling them in other parts of the country.

And a Zhejiang province factory with a keen eye for marketing has churned out more than 2.5m watches under the respected brands of "Shanghai," "Baoshihua" and "Spring Thunder." The factory employs more than 600 people, and the watches have been sold in more than 20 provinces.

Now, the Trade Mark Bureau of the General Bureau of Industrial and Commercial Administration has decided that the counterfeiting must stop. The bureau's head, Hao Zhixin, has announced that tough measures will be taken to "stop resolutely the serious violations of trade mark laws in the nation's markets."

Hao explained that the spate of imitation is an "unhealthy trend" of cheating. He said the chief motive is bigger profits, but the methods used showed that "factory leaders had wrong ideas about the current economic reforms."

The crackdown includes strengthening the administration of trade marks, preventing the sale of defective and substandard parts—out of which some of the phoney goods are made—and exposing fakes through the media.

Apparently, there has been a thriving market for defective parts. The offending factories buy the parts from producers of the genuine article, who have not complained because of the cash flow on otherwise useless materials, and then use the parts to counterfeit the well-known goods.

Cases of elegant labels blinding consumers to the quality of merchandise have been widely documented. Bootleg bicycles have been sold with patched inner tubes and wooden spokes.

Shanghai-made goods are generally regarded as the best quality products in China. The mass circulation Peoples Daily reported that the market has just been flooded by fake Shanghai-made watches, bicycles, televisions and cigarettes, produced by industries which have taken the Communist Party's call to "get rich through labour" the wrong way.

Violence follows start of S. African murder trial

BY ANTHONY ROBINSON IN JOHANNESBURG

VIOLENCE broke out again yesterday in the Natal town of Howick after 10 former workers at the BTR Sarmcol factory were charged with murder and a further 20 with intimidation and assault.

The charges arose out of the murder of three alleged "scabs" who were among 800 workers taken on by the South African subsidiary of the UK-based BTR when it sacked its entire 950-man black hourly-paid labour-force ten weeks ago.

A crowd of sacked workers—who have called on British and other unions to support their demand for reinstatement — attended the court session and then marched on the BTR Sarmcol factory to prevent "scab" labour leaving the factory at lunchtime. The police fired teargas to disperse the crowd and one worker inside the plant was arrested for wielding a large knife.

Meanwhile, the Metal and Allied Workers Union which represents the striking sacked workers has organised a work stayaway in the greater Pietermaritzburg area tomorrow which local chamber of industries officials warn could lead to legal action against the union.

Elsewhere on the labour front the National Union of Miners claimed that 55,609 black miners had voted for strike action and only 1,751 against on the basis of returns from 14 of the 16 mines balloted.

Zimbabwe foresees big increase in growth

BY TONY HAWKINS IN HARARE

THE RESERVE BANK of Zimbabwe yesterday forecast a 5 per cent real growth rate in 1985 following three years of stagnant or falling gross domestic product. The bank said that its estimates suggest growth of 1 per cent in real GDP last year but 5 per cent this year.

A 20 per cent increase in the volume of agricultural production was foreseen for this year, and higher mineral and industrial production was also expected.

Zimbabwe's maize deliveries should total 2m tonnes in 1985, leaving about 1m tonnes for export. However, the bank warned that the bumper harvest would create transport, storage and marketing problems, especially in some remote rural areas.

The central bank also forecast a big swing in the country's balance of payments from a deficit on combined current and capital accounts in 1983 of Z$158m (£79m) to a surplus of Z$200m (£100m).

This would be primarily the result of rapid export growth of about 26 per cent at a time when import growth was restrained to only 13 per cent. In addition, severe restrictions on profit, dividend, rent and personal remittances resulted in a major reduction in the country's invisible payments deficit.

Shultz hints at review of Anzus Treaty

By Lachlan Drummond in Sydney

U.S. Secretary of State George Shultz left Australia yesterday leaving in his wake the prospect of a U.S. review of the trilateral Anzus Treaty should the New Zealand Government entrench in statute its anti-nuclear stance.

The refusal of Government of Prime Minister David Lange to accept nuclear-armed or powered ships in New Zealand ports has already produced a sizeable rent in the Anzus Treaty. The bilateral talks between Mr Shultz and senior Australian ministers on Monday took the place of the planned 34th annual Anzus ministerial meeting, cancelled at the request of the U.S.

Making of this policy into law would add additional strain and Mr Shultz said at a press conference on Monday: "If New Zealand takes a formal statutory step that has an impact on the Anzus Treaty then we will have to study that statute carefully and see what it in fact is and evaluate it and decide what we will do in the light of what our evaluation is."

Such a step "might precipitate a review of the treaty via its connection with that formal action. But we don't want to see that happen. We prefer just to leave the situation as it is."

In Wellington, Mr Lange reacted tartly to Mr Shultz's comments.

"We are escaping nuclear warfare and isolating ourselves from the threat of destruction," he said.

He said he would "earnestly" consider any U.S. request to change his policy but would "probably decline to accede to it." His deputy would visit Washington for talks with the Reagan Administration before any legislation banning ships or aircraft was presented to Parliament, he said.

Despite prodding from its left-wing, the Australian Government remains committed to Anzus, with the access to state of the art defence equipment and the economic leverage that loyalty to the alliance brings ranking in importance with the imprecise mutual defence obligation of the treaty.

New Zealand seeks Frenchman about Greenpeace sinking

BY DAI HAYWARD IN WELLINGTON

A MYSTERY Frenchman who flew from Norfolk Island only hours before New Zealand police arrived to question him, is now the central figure in efforts to fix responsibility for the bombing of the Greenpeace flagship Rainbow Warrior in Auckland Harbour last Wednesday.

The man, one of four Frenchmen on the French yacht Ouvea, flew to Sydney, and Australian police have been asked to help find him.

Senior Sergeant Tozer, who was co-ordinating the investigation, told the Financial Times last night it was possible that the man could have slipped out of Sydney on a flight to Noumea, capital of the French territory of New Caledonia, before Sydney police were alerted. The yacht is registered in Noumea.

Sgt Tozer also revealed that New Zealand police are not sure they know the identity of the man they are seeking.

A team of nine New Zealand detectives flew to Norfolk Island, in the Tasman Ocean, in an Air Force aircraft when the Ouvea was reported there.

The yacht spent a week in Whangarei Harbour, north of Auckland, and sailed at what Superintendent Alan Galbraith described as "an interesting time" — July 9, only hours before the explosion which sank Rainbow Warrior in four minutes.

Whangarei customs officials were told the yacht was going direct to Noumea. Instead, it was reported to be in Auckland Harbour only hours before the bomb blast. Greenpeace members claim they saw it sail slowly past their vessel then turn and come back heading towards the harbour entrance.

New Zealand detectives have gone to Noumea to check on the yacht's background and owners.

Police have now recovered an almost new outboard motor from the seabed, an inflatable Zodiac dinghy from a bay further down Auckland Harbour and fragments of the explosive device.

Police have also arrested a French couple, a man and woman, who were travelling on Swiss passports. They have been charged with breaches of the immigration laws. The couple were arrested when they returned a camper van they hired a few days before the Rainbow Warrior explosion. A Portuguese crew member was killed in the explosion.

Prime Minister David Lange says the attack seems to have been aimed at the Greenpeace vessel rather than at any individual, although it could not be ruled out that it was aimed at the leading directors of Greenpeace, who were due to be aboard Rainbow Warrior on the night of the attack.

The police investigation has pointed towards a well-planned operation, involving more than one person, and directed from outside New Zealand, the Prime Minister said.

Rainbow Warrior had been due to lead a flotilla of smaller yachts next month on a protest voyage against French nuclear tests at Mururoa Atoll. On previous occasions single Greenpeace protest vessels have caused the French authorities irritation and embarrassment by drawing worldwide attention to their tests.

THE New Zealand Rugby Union debated behind locked doors until the early hours of this morning its next moves following the temporary court injunction on the proposed tour of South Africa, Dai Hayward reports from Wellington.

Captain Andy Dalton and team coach Brian Lochore, originally scheduled to fly to South Africa today, were called to the meeting yesterday evening.

It appears to have three options: to abandon completely all plans to go to South Africa this season; to announce a shortened tour of South Africa later this season if the courts decide in the union's favour; to organise a short replacement tour of Argentina, Ireland or France, or possibly a combined shortened tour of Argentina and South Africa.

A fourth option — for a rebel or unofficial tour of South Africa — does not, at this stage, appear to be an option.

Reginald Dale in Washington on who holds the power in the President's absence

Regan takes up the reins at the White House

ACCORDING TO the U.S. constitution, Vice - President George Bush is the second in command at the White House. But during President Ronald Reagan's stay in the Bethesda Naval hospital, and his subsequent convalescence, there is little doubt that the most powerful man in Washington will be Mr Donald Regan, the White House Chief of Staff.

For about eight hours on Saturday, while Mr Reagan was under general anaesthetic, Mr Bush temporarily assumed the powers of the Presidency at Mr Reagan's request—although he did not actually exercise them. If Mr Reagan were to be unable to carry on as President, Mr Bush would take over. He will probably deputise for the President, as will Mrs Nancy Reagan, at a number of meetings and functions in the coming weeks.

Mr Bush, however, is not in a position to take up the real reins of government while Mr Reagan recovers over the next six to eight weeks. In practical terms, Mr Regan, the 66-year-old former Treasury Secretary, is already in full control of the White House machine. Even before the President's operation, Mr Regan was well on the way to becoming one of the most powerful White House Chiefs of Staff in recent history.

Politically, Mr Reagan's entourage also appears to be reluctant to accord Mr Bush such prominence that he is cast in the role of Mr Reagan's heir apparent. Mr Bush has made no secret that he is keen to run for the presidency in 1988.

But Mr Reagan does not want to pre-empt the choice of the Republican Party, in which there are still many misgivings over the supposedly-moderate Mr Bush. Nor does Mr Reagan, by appearing to groom a successor, want to encourage the idea that his illness places him more at risk of becoming a "lame duck" President.

Concentration of power in Mr Regan's hands will maintain a direct line to Mr Reagan's authority. Mr Regan is viewed in the White House as the most loyal of the President's aides, whose main ambition is to execute Mr Reagan's policies effectively and "run a tight ship." Perhaps equally importantly, at this sensitive stage in the first family's affairs, he has established the trust and confidence of the increasingly-influential Mrs Reagan.

Mr Regan has already quickly established himself as the only Government official in regular contact with Mr Reagan since Saturday's surgery. He has set up a temporary office at the hospital, just down the corridor from the presidential suite, and sees Mr Reagan every day. He is in charge of the paperwork that reaches what Mr Larry Speakes, Mr Reagan's spokesman, has called "the Bethesda White House."

After the operation, it was Mr Regan who personally tested Mr Reagan's "alertness" to see if he was fit to resume the powers of office, and informed Mr Bush that his brief stint as Acting President was over. In contrast, by yesterday morning Mr Bush had still not talked personally to Mr Reagan at the hospital.

Mr Reagan is expected to return to the White House in about a week. From August 14 to September 2 he plans to be on holiday at his California ranch, where his advisers will be pleased to have him seen on television indulging in his usual healthy outdoor pursuits of horse riding and chopping wood. Mr Speakes says, the President will gradually pick up his normal workload, resuming a full and vigorous schedule "as quickly as he feels like."

During the period of convalescence, Mr Regan will be the President's main link with the White House and Congress. The only major Congressional problem foreseen in the weeks ahead is the continuing deadlock over the budget deficit. If the White House feels the need to intervene again in the process, officials say, it will be Mr Regan who does it.

In the next few days, Mr Regan will also continue to sift through candidates to succeed Mr David Stockman as the President's Budget Director, and submit a name for approval to Mr Reagan.

Generally speaking, the President will be spared as many details as possible. "We'll try to make as many decisions as we can" without having to bother him, says Mr Speakes. Mr Regan has a good working relationship with the President and "knows what to do on his own."

Mr Regan, however, will not take decisions that require the President's personal approval or "push his own agenda," say White House officials. If he wants to present cabinet policy disputes succinctly to Mr Reagan, he can, says Mr Speakes. "If he wants to present an option paper to the President and have somebody talk it through with him, then that's the way it will work."

In this respect, Mr Regan's role will be little different from the one he already fulfils. He already largely controls access to the President. Unlike his predecessor, Mr James Baker, who shared power with a number of long-term Reagan associates, Mr Regan has few rivals for the President's ear.

Mr Regan, a former head of the Merrill Lynch Wall Street investment house, is no stranger to the practice of tough management, and he has confidently asserted himself at the White House.

The President has always preferred to delegate policy details to his aides and advisers. That in itself should help Mr Regan achieve his main immediate objective in the days ahead, which is to convince the American people and the world in general that, to the fullest extent possible, it will be business as usual at the White House.

Mr Donald Regan (left): regarded as President Reagan's most loyal aide

Mexico's ruling party heads for victory

By David Gardner in Mexico City

MEXICO's ruling Institutional Revolutionary Party (PRI), in power for 56 years, had by yesterday morning won 281 of 289 congressional seats where official counting had been completed.

Unruffled by the chorus of fraud charges from both the left and right-wing opposition, the party appears set to secure nearly exactly the results it had sought in the July 7 mid-term elections for Congress including seven of 31 state governorships, and over 800 town halls.

In the strategic northern border states of Sonora and Nuevo Leon, the PRI stopped a major challenge from the right-wing National Action Party (PAN) in no uncertain terms. Despite widespread evidence of ballot rigging in both states, the PRI looks set to have its clean sweep in Sonora and nearly total victory in Nuevo Leon confirmed.

Protests by PAN supporters in both states were continuing yesterday. PAN is seeking to have the elections annulled in both states, while local left-wing parties are seeking partial annulment.

Independent left wing parties, which broadly back PAN's charges of fraud, are particularly incensed that the results are strengthening three ostensibly left-wing parties which operate as satellites of the PRI.

Sr Pablo Gomez, leader of the Euro Communist-line Unified Socialist Party (PSUM), (built round the old Mexican Communist Party, described these parties as "bionic . . . which is to say artificially stimulated by computers," referring to charges that the computerised electoral registers had been padded with several million non-existent voters by government-controlled electoral authorities.

In spite of a sour post-electoral climate, last week's oil price cuts, continuing speculation against the peso and signs that the Government will be reining in economic growth in the second half, Mexico City's stock exchange gave its verdict on the elections by breaking through to a historic high, with its 200-stock index exceeding the 5,000 mark for the first time

Canada proposes deregulation of transport sector

BY BERNARD SIMON IN TORONTO

THE CANADIAN Government has proposed far-reaching deregulation of air, rail, truck and shipping services in a bid to improve the competitiveness of Canadian exporters and contain recent inroads by U.S. transport operators in the Canadian market.

A discussion paper released by Mr Donald Mazankowski, the Transport Minister, outlines plans to open domestic air services to all "fit, willing and able" carriers, and to allow railway companies and shipping lines to negotiate confidential contracts with their customers.

The Government will discuss its proposals with the transport industry, trade unions and other interested groups, and hopes to introduce legislation to implement them by the end of this year.

The proposed new measures include a relaxation of curbs on mergers and acquisitions in the transport industry, allowing the authorities to bar only those involving "major" federally regulated companies with assets of at least C$20m (£11m). The Canadian transport industry is dominated by a handful of groups, including state-owned Air Canada and Canadian National Railways, and the diversified private conglomerate Canadian Pacific.

Mr Mazankowski said that Crown corporations will be "discouraged from engaging in non-business-like pricing and in loss-making commercial activities." New legislation will outlaw predatory pricing by shipping conferences.

Regulation of international air services and fares to and from Canada will be retained, but the Government pledged to pursue a loosening of controls through bilateral negotiations. According to the discussion paper, deregulation of existing air services will bring the greatest benefit to new regional and local airlines using commuter aircraft similar to those made by the Canadian aircraft manufacturer De Havilland.

The paper proposes that airlines be allowed to abandon routes on a maximum of 60 days notice. The Government will consider direct subsidies for uneconomic routes considered to be in the public interest. At present, airlines are required to use profits from high-density routes to cross-subsidise unprofitable services, such as those to remote Arctic communities.

U.S. considers Bermuda convention tax write-offs

BY ROGER SCOTTON IN HAMILTON

MR ROBERT PACKWOOD, chairman of the U.S. Senate Finance Committee, left Bermuda on Sunday after a 48-hour fact-finding visit aimed at helping him consider a White House sponsored proposal to grant tax deductions to U.S. corporations holding conventions in Bermuda.

He was accompanied by Mr Russell Rourke, Assistant Secretary of Defence, and Mr Max Friedersdorf, a former U.S. Consul General to Bermuda who is now President Reagan's special assistant on legislative strategy.

At present, the costs of holding business conventions in Bermuda cannot be offset against tax liabilities.

The Bermuda Government has long complained that the restriction prevents the 21-square mile British colony from winning a slice of America's huge convention tourist market—a lucrative market of 10m tourists which the U.S. State Department says is worth about $5bn (£3.6bn) a year.

The White House scheme, engineered by Mr Friedersdorf, calls for an amendment to the U.S. tax code.

Mr Friedersdorf thinks Bermuda should be grouped with Canada and Mexico, which are approved by the U.S. tax authorities as tax deductible venues, and be allowed to become part of what he calls "the North American community."

Banzer claims win in Bolivia

FORMER Bolivian military ruler Sr Hugo Banzer has claimed victory in elections last Sunday after 30 per cent of the vote was counted, Reuter reports from La Paz.

Unofficial results quoted by the Catholic Church radio Fides and based on 30 per cent of the vote, gave Sr Banzer's right-wing Nationalist Democratic Action (ADN) party 39.1 per cent of the vote, 15 points ahead of the centrist Nationalist Revolutionary Movement (MNR).

Early results indicated no party would win the outright majority needed for victory

Brazil tries to reassure creditors on debt

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZILIAN officials held parallel talks in Washington and New York yesterday with the aim of convincing the International Monetary Fund and the country's bank creditors that a deal can be struck soon on the debt negotiations, despite the tougher language now being used in Brazil by the Sarney Government.

In New York for a one-day meeting with the 14-member bank advisory committee, Sr Antonio Carlos Lemgruber, the Central Bank governor, was expected to reveal new, better balance of payments estimates for this year. These result from a projected increase in the trade surplus to $12bn (£8.6bn) and an anticipated decrease in interest payments.

While relieving the banks of any residual fears that Brazil may ask for "new money" from them this year, these figures alone are not, however, expected to mollify the creditors.

Their concerns, according to Western bankers in Rio, are focused instead on Brazil's delay in reaching an austerity agreement with the IMF and on the deterioration in the authority within the Government of the Central Bank governor and of Sr Francisco Dornelles, the conservative Finance Minister.

The Brazilian team in Washington, meanwhile, has been charged with explaining to the Fund that the package of public expenditure cuts and tax increases announced earlier this month represent the limit that is practically, and politically, feasible this year.

The only additional concession Brazil is prepared to make, officials say, would be through an increase in government-controlled tariffs and prices. This, it is estimated, could reduce the public sector borrowing requirement in 1985 by a further Cru 4,600bn (£468m).

If this package is broadly accepted by the IMF, Sr Dornelles is expected to travel shortly to Washington himself, to finalise the terms of the country's new stand-by loan. However, the feeling here is that more likely a further round of negotiations in Brazil with IMF officials will be required.

Swedish group wins $70m Turkish rail system contract

BY KEVIN DONE IN STOCKHOLM

ASEA, the Swedish electrical engineering group, has won a $70m contract to build a seven-kilometre light electric rail system in Istanbul.

The contract has been awarded to a consortium comprising Asea and Yapi Merkezi, a Turkish construction group.

Asea will supply about three quarters of the value of the order including tramcars, signalling and power supply system, while the Turkish partners will take care of the civil construction.

The project is the first phase of a larger tramline system which will later be extended to a total of 23 km.

Asea said it won the order against competition chiefly from West Germany—Siemens and MAN—as well as from a joint Austro-Italian consortium.

The project will be funded from Sweden, partly with long-term, low-interest state loans.

Ford to market second W. German-made car

BY WILLIAM HALL IN NEW YORK

FORD, the second biggest U.S. car company, is to begin importing a second West German-made car into the U.S. as part of its strategy to compete with luxury European imports which have made big inroads into the U.S. market.

Ford, which began importing a version of its German-built Ford Sierra last year, is the only major U.S. car maker to import European cars. It has formally announced that it will begin selling a second West German car through its Lincoln-Mercury division's Merkur franchise next year.

The car will be a version of its European Ford Granada Scorpio adapted for the U.S. market. The car went on sale in Europe in May and is known to have been prepared to pass U.S. technical tests.

The Granada Scorpio is a four-door sedan which is slightly more expensive than the Merkur, which sells in the U.S. for $16,361 and is designed to compete with the smaller Mercedes and BMW models.

It has been known for some time that Ford was thinking of importing a second European car to sell through its new luxury car franchise which specialises in European cars.

Ford has said that it intends to establish its Merkur franchise in the U.S. separately from its Ford and Lincoln-Mercury operations.

When Ford announced its move last year it was estimated that sales of the Merkur might reach between 60,000 and 100,000 a year.

Hawker wins Thai order

BY LYNTON McLAIN

WESTINGHOUSE SIGNALS, part of the Hawker Siddeley group, has won a £5.8m contract for a signalling and telecommunications system for a new line for the State Railway of Thailand.

The contract includes the design, manufacture, supply, installation, testing and commissioning of the system for the new single track line between Chacoengsao and Sattahip.

The 136-kilometre line is part of Thailand's plan to develop its eastern seaboard, Hawker Siddeley said yesterday.

Hawker Siddeley expects work on the project to last for 18 months. The project involves ten new stations and one existing station.

Democrats in new bid to curb imports

By Stewart Fleming in Washington

A GROUP of prominent Democrats in Congress are planning to unveil today legislation which could result in the imposition of a 25 per cent surcharge on imports from countries with "excessive" trade surpluses such as Japan, Brazil, South Korea and Taiwan.

The legislation will add to the plethora of prospective trade Bills being debated on Capitol Hill—proposals which include major trade reform packages sponsored by such groups as the Labour-Industry Coalition for International Trade (LICIT).

Perhaps the most significant feature of the Bill concerns the names of the Democrats who are supporting it.

They include Representative Dan Rostenkowski, chairman of the House Ways and Means Committee, the House committee responsible for initiating trade legislation.

Also included are Representative Richard Gerhardt, who heads the House Democratic caucus, and Senator Lloyd Bentsen of Texas.

Their move will be seen as a step designed to put pressure on the Reagan Administration to act more forcefully to curb imports.

The specific proposal would be designed to hit countries whose exports to the U.S. were 65 per cent greater than their imports from the U.S. and whose exports worldwide were 50 per cent greater than their total imports.

The U.S. trade deficit would have to be greater than 1.5 per cent of Gross National Product for the surcharge to be triggered. Currently, it is running at over 3 per cent of GNP.

Canada, Nigeria 'in oil-link deal'

Canada and Nigeria are negotiating a deal linking sales of $1bn (£770m) worth of Nigerian oil to purchases of Canadian goods worth a similar sum, Canada's High Commissioner in Lagos, Mr Garrett Lambert, said yesterday, Reuter reports.

A group of Canadian businessmen was in Lagos for talks on the deal, under which Canada would take about 100,000 barrels of oil a day in return for Canadian goods, mostly linked to capital projects.

Mark B. Feldman describes US attempts to curb trade in high-tech goods

How Congress gave export Act sharper teeth

THE U.S. CONGRESS on June 27 broke a two-year impasse and agreed on a new Export Administration Act. The old law expired on September 30 1983. Since then U.S. export controls on high-technology goods and information have been based primarily on the President's special powers under the International Emergency Economic Powers Act.

The 1985 amendments are a compromise between the Pentagon's proposals for radical toughening of the law to cut the flow of militarily-useful technology to the Soviet Union and American industry's urgent need to liberalise the régime applicable to "free world" trade.

The philosophy is to concentrate licensing and enforcement resources on the high end of the technology spectrum and to reduce controls on "free world" trade at the low end. There is a strong emphasis on international co-operation in controlling indirect transfers to the Warsaw Pact, but there are also new risks of extraterritorial application of U.S. law to the trade of other countries.

The amendments put new teeth in the Reagan Administration's aggressive enforcement programme by creating offences and penalties and by shifting major enforcement responsibilities from the Commerce Department to the U.S. Customs.

The law adds "attempts," "conspiracy," "possesion with intent to export unlawfully," and "action with intent to evade" the law to the list of crimes. A person convicted of violating national security controls will be subject to forfeiture of any fruits of the violation. A slight change in wording extends the penalties for wilful violations from the act of exporting to violations of the U.S. regulations anywhere in the world.

One of the most controversial features of the new law is the authority given the U.S. president to block imports by any party that violates U.S. national security controls.

The same authority can be applied to violations of UK regulations which implement agreements of the Co-ordinating Committee controlling East-West Trade (CoCom), but only after consultation with UK officials and with the concurrence of a majority of CoCom parties. The EEC sharply protested the proposal for such import sanctions as a violation of the General Agreement on Tariffs and Trade in an aide-memoire presented to the U.S. State Department in April 1983.

These measures are balanced by provisions restricting the President's authority to control "low-tech" trade with CoCom countries and limiting the application of foreign policy controls to previous contracts. In future, no licences will be required for exports (or re-exports) to CoCom countries of items that can be traded to the Warsaw Pact without CoCom approval.

Congress has also learnt from the gas pipeline affair. The President can no longer apply foreign policy controls to bar performance of existing contracts unless he consults with Congress and certifies, *inter alia*, that "a breach of the peace poses a serious and direct threat to the strategic interest of the United States." Congress wanted absolute protection for existing contracts, but the Administration vigorously opposed that proposal.

The contentious subject of U.S. export controls and their impact abroad will be debated in London today at the annual meeting of the American Bar Association.

One of the most important provisions of the new law orders the Secretaries of Defence and Commerce "to integrate items on the list of militarily critical technologies into the control list . . . with all deliberate speed."

This is a victory of sorts for the Pentagon, which has been urging sweeping new controls on exports of manufacturing technology and other technical data. The issue is "free world" trade. Data flows to the Soviet Union are controlled under existing regulations.

However, American industry strongly opposes new controls on technology transfers to "free world" countries, and the Commerce Department has expressed serious doubts about this project's feasibility.

The U.S. software regulations issued in January to implement the Cocom agreement of last July applied to exports to all countries, but in April the Administration decided not to apply these controls to "free world" trade. This is a major departure from U.S. practice in commodity trade and a good sign for the future.

The legislation is important, but it is only the start. The Pentagon did not obtain the statutory right it sought to review licence applications for exports to Western countries, but the White House has given the military that role for exports of several key commodities to a number of countries that are seen as channeling products to the Soviet Union.

In the long run, the decisions the U.S. makes on such matters as the regulation of distribution networks in Europe may be more important to America's trading partners than the new law. On May 24, the Commerce Department issued final regulations requiring exporters and their foreign distributors to establish elaborate internal control systems to ensure that sales of items of U.S. origin were not made to unauthorised users or for unauthorised uses. Distributors must know their customers: standard forms, employee accountability, record-keeping and internal audits are the order of the day.

The Commerce Department intends to audit these procedures in the U.S. and abroad, and companies which do not comply could lose their privileged distribution licences. This programme is far less intrusive than earlier proposals.

There are potential problems, however. Unless handled with sensitivity, audits of foreign consignees of U.S. commodities may cause serious tensions with host Governments.

Another issue worth watching is U.S. regulation of exports of foreign manufactures, including parts and components of U.S. origin. The U.S. applies such extra-territorial controls even where the U.S. inputs are *de minimis*. This kind of regulation is self-defeating as it drives foreign purchasers to other sources of supply. It also raises serious questions of international law where the U.S. interest is tenuous.

U.S. officials are reviewing the regulation of trade in parts and components, and it is hoped they will appreciate the need for a change. The U.S. Government is getting the co-operation of its allies in CoCom, and it should be prepared to respond positively to their concerns.

Mark B. Feldman is a partner in Donovan Leisure Newton & Irvine of Washington, DC.

Fiat may base output of smallest car in Poland

BY CHRISTOPHER BOBINSKI IN WARSAW

FIAT AUTO, Italy's largest car company, is considering basing production of its smallest passenger car for the 1990s at the FSM car factory in Southern Poland, FSM officials confirmed yesterday.

Such a decision would follow a successful modernisation of the FSM works, due to be undertaken soon, to restyle the present Fiat 125 P model produced there since 1973.

Under the plans, FSM would be the only producer of the new small model with annual output running at some 50,000 until the year 2000.

Last week, Fiat signed an agreement worth $50m (£38m) for machinery services and technical assistance to bring the modernised Fiat 125P into production by March 1987.

The present modernisation would be the first the plant will have undergone and it will cost an additional Zl 30bn (£146m) in domestic input.

The agreement under which 60,000 restyled cars will be produced annually mainly for export through the Italian company's sales network runs out in 1991 when production of the new model, not yet formally announced, could be undertaken.

This year, the FSM plant is planning to sell 67,500 cars abroad.

Export move on Japan company

BY JUREK MARTIN IN TOKYO

A JAPANESE trading company is being investigated for allegedly re-exporting to an Eastern European country a sophisticated piece of U.S.-made technological equipment in contravention of the rules of Cocom, the West's monitoring agency on trade with the Communist bloc.

Neither the company nor Japanese government agencies were prepared to divulge details of the case, though they confirmed that an investigation, the second of its kind in Japan this year, was under way.

Published reports in Tokyo said that the small Tokyo-based concern had in August 1983 imported a laser-trimming system, used in microchip manufacturing, from a U.S. electronics company in Oregon.

The company is said to have tested the device in Japan in the presence of an embassy official from the Eastern European country, identified in one report as being from Hungary.

The equipment was then shipped out of Yokohama, apparently evading customs inspection

An official at the Ministry of International Trade and Industry (Miti), which, with the Japanese police and customs, is responsible for Cocom enforcement, said that export licenses were required, and might be denied, for any goods on Cocom's list.

He recalled a case in March when a Japanese company had been stopped from exporting a U.S.-made sonar system to the Soviet Union.

It appears that this case was brought to light as a result of information supplied by the U.S. Government. Some U.S. officials have complained that Japan was insufficiently rigorous in preventing the re-export of U.S. technological equipment to eastern Europe.

Officials at the company refused to answer telephone questions. But Jiji Press, the domestic wire service, quoted police as saying that the company, capitalised at Y8m (£24,000) had a contract of several years' standing to supply a state-run Hungarian organisation with electronic and precision equipment.

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UK NEWS

Christopher Parkes on how European cooking habits are set to change

Microwave market gets hotter

THE TIME for jokes and apocryphal tales about the microwave oven is over.

"You don't hear nonsense about hamsters disappearing up the vacuum cleaner spout, and we don't want to hear any more stuff about people drying their poodles in the microwave," said one aggrieved producer recently.

The business is booming. There are about 40 companies battling for a share of the British market, which is expected to grow by 40 per cent this year to absorb at least 1.4m machines.

Imports are flooding in, mainly from Far Eastern manufacturers which have laid claim to about 85 per cent of the UK trade in the five years since the market first showed signs of life.

In the early months of this year imports were already 30 per cent higher than in the same part of 1984. The pressure is expected to build towards a peak at Christmas, especially since sales of home computers appear to have followed the downward trail of the video cassette recorder.

Many of the main British appliance makers now have their own factories – usually joint ventures with Japanese companies – and are struggling gamely to win back a more respectable share of their home market.

Matsushita's newly announced plans to build an assembly plant in Britain reflect the general feeling that the boom is real and will probably persist for some years until saturation point. While fewer than 10 per cent of British homes have a microwave, the figure is close to 40 per cent in the U.S., about 36 per cent in Japan and 28 per cent in Australia.

The Japanese, South Koreans, Taiwanese, Americans and the British have their eyes on an even more promising market of 250m people on the European continent.

Mr Shigejoshi Kawakatsu, the Hamburg-based managing director of Matsushita Europe, recently told an appliances seminar that he fully expected the continental European market to develop in much the same way as the business in Britain.

He challenged a gloomy assembly of executives, gathered to debate the sorry state of the European appliance business at large, to forecast sales of microwaves over the next 10 years. "Whatever their figures may be, I will bet mine are higher," he said.

Last year, he said, world demand for the ovens was about 12.7m units. The U.S. took 9.4m, Japan 1.2m and Europe only 1.4m. Subtracting UK sales of 1m, that left a niggardly residue for distribution around the rest of the European continent.

Penetration in West Germany, where his company started selling 15 years ago, was still less than 5 per cent. The figures for France and Italy were about half that, he said.

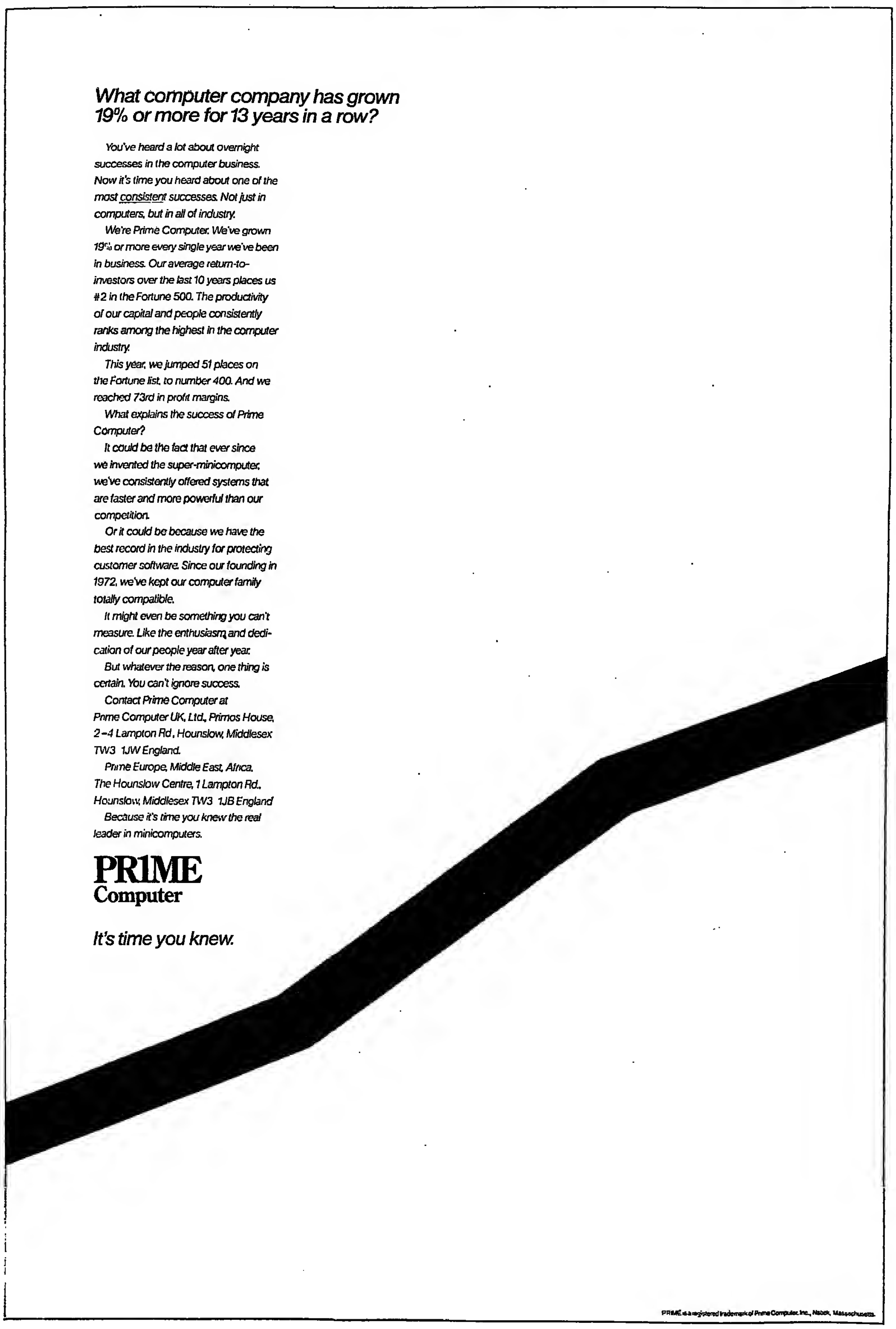
Chiding European consumers and manufacturers for their conservatism, he said that the market was still recovering from adverse publicity in the early days about possible radiation leaks. He indicated that Matsushita, best known for its Panasonic, National and Technics brands, had found it difficult to tempt European companies to enter partnerships.

He pointed to similar resistance eight years ago when, he claimed, European manufacturers refused to believe there was a market for domestic video recorders. "Without our optimism and without our investment we would not have got the results we achieved," he said.

He had tried to awaken interest in commercial applications in West Germany, where fast food outlets were springing up. There were, he confessed, some problems microwaving the popular but explosive wurst. In the end he hired five salesmen devoted solely to the commercial trade and promptly won 50 per cent of the catering

In Britain, the market is already entering a new phase of development. Thorn EMI, the first native British company to start production, will shortly unveil a mini-microwave oven. This is a 0.41 cu ft model just big enough for one helping and aimed at the bedsitter. It is also believed to be preparing to launch a version in the UK under the Kenwood brand.

The company is stepping up exports. Figures are confidential, says Mr Phil Buckle, managing director of the major appliances division, but this year he expects to export between 20 and 25 per cent of production to Europe and even Latin America.



Nexos collapse blamed on over-ambition

Jason Crisp reports on the Government's ill-fated efforts to create a new high-technology business

NEXOS, the state-backed office automation company that collapsed with a loss of more than £30m to the taxpayer, failed because the management was over-ambitious and built up a large organisation which could not be justified by its level of business.

This is the main conclusion of a detailed post mortem examination on the demised Nexos, which proved to be one of the most disastrous government attempts to create a new high-technology business. The investigation was carried out by Mr Russell Ford, a senior accountant at Deloitte Haskins and Sells, who is on secondment to the Department of Trade and Industry (DTI).

Mr Ford's conclusion differs significantly from earlier verdicts – including the DTI's – on the failure of Nexos, which largely blamed the unsatisfactory commercial agreement which the company had with several suppliers, particularly Logica VTS, which made its main product, a word processor.

On the question of Nexos's very high trading losses the report says: "To a great extent the losses represented the costs of the head office and central management organisation together with the excess overheads of the sales organisation that were established or built-up vastly in excess of the size required for the turnover being achieved."

This latest report stems from an earlier inquiry by the public accounts committee, the parliamentary watchdog on government spending, which called for a full government investigation into the Nexos affair.

The report is particularly critical of the Nexos management. But few parties involved with the ill-fated company come out of the affair well and there are a number of questions raised about the way in which the National Enterprise Board (NEB), now part of the British Technology Group, and the DTI monitored its activities.

Management at Nexos is criticised for a number of reasons including:

- Being critically dependent on the early success of a single product – the unproven 2200 word processor made by Logica. The Nexos corporate plan was based on obtaining 25 per cent of the UK word processor market by the end of 1981.
- Failing to recognise and plan for the possibility that the 2200 would be late.
- Creating a much larger organisation with higher outgoings than was justified by the actual level of sales.
- Trying to do too much too quickly having regard to the amount of funding committed to it by the NEB.
- Committing substantial expenditure to the Delta project – a powerful telecommunications system being developed in the U.S. by Delphi, a subsidiary of Exxon – without proper assessment of its state at the time.

Within the report are a number of horror stories which contributed to the eventual demise of Nexos. These include spending £5.2m on research and development. Other than the 2200 word processor no development projects came to fruition before the company was wound up.

Eighteen months after it was set up Nexos's overhead costs and development expenditure was running at an annual rate of £15m – almost the same as the NEB's initial investment commitment of £15.8m which ran out at the end of 1980. Sales in 1980 were running at £5.75m and even in 1981 were less than £9m.

Even during a growing cash crisis during the second half of 1980 Nexos increased its staff numbers from 307 to 405 between June and December. An NEB review team commented that Nexos had grown its establishment and costs to support sale five times larger.

That cash crisis was exacerbated by the management's continued increase in its rate of spending despite knowing in July that it might have to exist within its £15.8m funding for the foreseeable future. Mr Ford believes it could not have contained its operations within a £20m funding limit which had been originally set, subject to approval, by Sir Keith Joseph, then Industry Secretary.

At a meeting of the House of Commons public accounts committee this week Sir Brian Hayes, permanent secretary at the DTI, acknowledged that his earlier evidence to the committee in November 1983 had been wrong when he blamed Nexos's failure on its unsatisfactory agreement with Logica VTS.

While Mr Ford's report acknowledges there were significant personality problems between executives of the two companies he says: "I question whether the problems in the relationship were anything more than the normal problems in commercial relationships."

He also concludes that the delay in developing the 2200 word processor and its lack of certain features were not a major contributory factor in the failure of Nexos. He says Nexos management should have recognised and planned for the possibility of unforeseen problems.

Nexos had built up a large sales organisation long before it could reasonably have expected to start selling the 2200 in volume and in any case the delays were only a matter of weeks.

The late arrival of the 2200 was not the only reason the sales force was under-utilised. Other factors included a facsimile machine for Nexos made by Muirhead which was late and uncompetitive. Even though the marketing department said the 2200 was so deficient in features that it would not achieve forecast sales, it admitted it met its specification agreed by the two companies the previous year.

Agreements with Logica and Muirhead were negotiated by the NEB itself before Nexos was established. Nexos was conceived by the NEB in the late 1970s to give Britain a presence in the fast-growing office equipment market. The original idea was that Nexos would be a marketing and sales organisation working in partnership with a few key suppliers with expertise in the necessary technologies and a manufacturing capacity.

The company was established in 1979 and Mr Muir Moffat, a former IBM executive was appointed chief executive. Once the management team was formed the new company made significant changes which meant it concentrated much more than envisaged on development.

Commenting on the changes Mr Ford says: "Although the original concept would have been a high risk venture these differences meant that Nexos followed a much higher risk path than the NEB board originally approved. It is not clear to me to what extent the NEB board and the NEB's senior executives endorsed the changes or appreciated that Nexos was developing in this way."

After the independent review of Nexos in 1980 the Government agreed to "drip-feed" the company with additional finance while it considered its future including the possibility of finding private finance. The company was given a further £5.3m after the Government was told by the NEB it would otherwise have to go into immediate liquidation.

Delays and uncertainties which surrounded Nexos at that time are acknowledged to have added to its problems as it damaged its credibility in the market and affected staff morale.

Jaguar XJS launched in open-top version

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

JAGUAR expects worldwide sales of its XJS sports car to reach a record 8,000 this year, partly with the help of a new version introduced in the UK today.

The company is launching a cabriolet version of its 150mph, V12-powered XJS-HE, which it claims is one of the fastest open-topped cars in the world.

The new cabriolet will be launched in West Germany in September and will reach the U.S., Jaguar's biggest market, early next year.

In Britain, the new V-12 cabriolet is priced at £26,995, some £3,000 more than the XJS-HE coupe, the mechanical specification of which it shares, including the 295bhp V12 engine.

Mr John Egan, Jaguar's chairman and chief executive, says the resurgence of the XJS range has paralleled that of the company. In 1981 sales had dropped to only 1,199 but by 1983 they had recovered to 4,808 and moved on to a record 6,028 last year.

There has been a cabriolet in the XJS range for the past two years: the XJSC 3.6, which has the AJ6 engine. But supplies have been severely restricted because Jaguar used an outside coachbuilder to fit the roof.

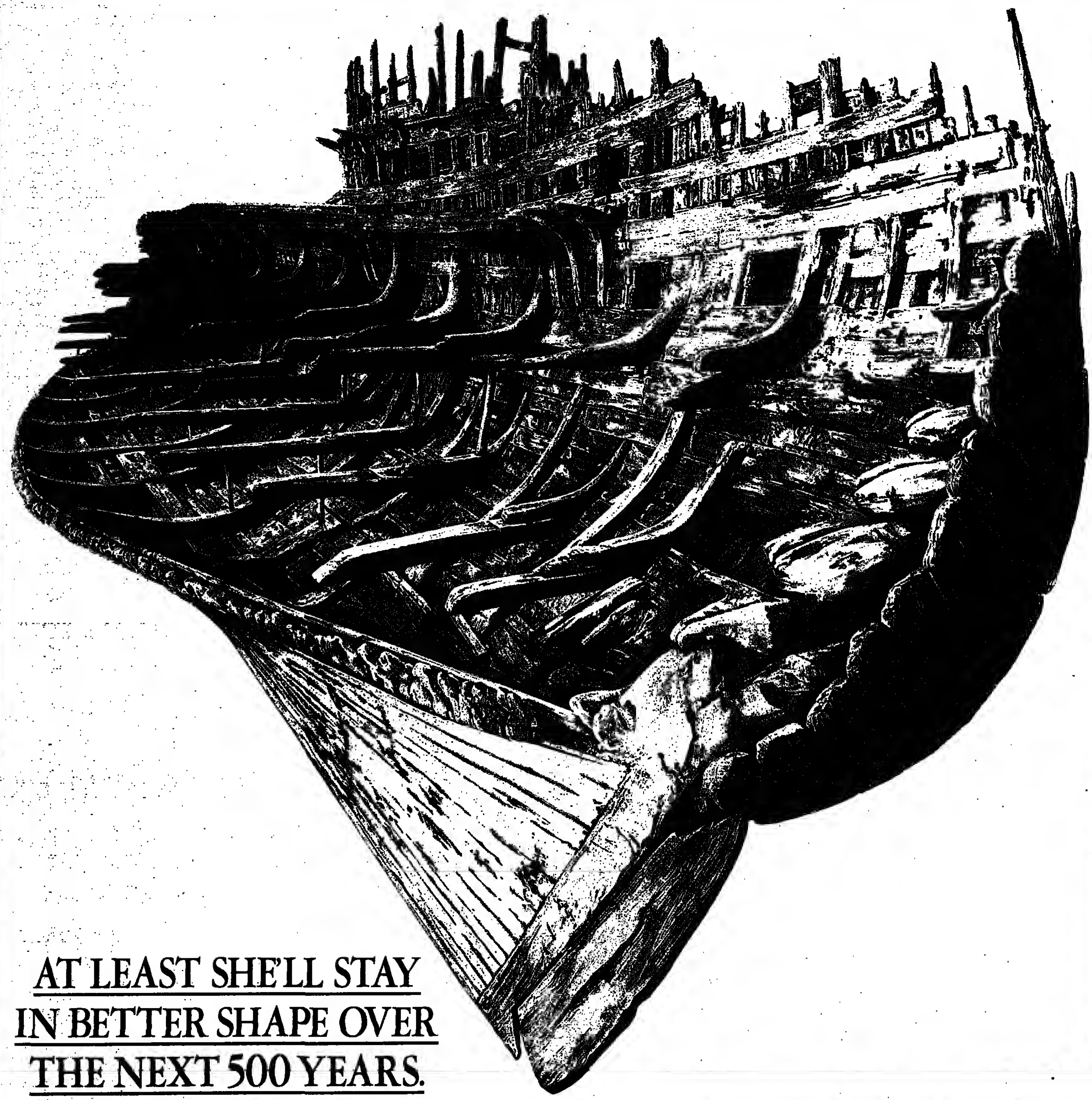
The roof is now fitted by Jaguar at the Browns Lane factory in Coventry and production of the two cabriolet versions has been stepped up to an annual rate of 2,000.

- Another small Japanese van is launched in Britain today as Subaru enters the sector for the first time.

The importer, International Motors of West Bromwich, is offering a version of the van, called the Subaru 700, with four-wheel drive.

So far in Britain, Subaru, a subsidiary of Fuji Heavy Industries, has sold only a handful of car-derived pick-up trucks in the commercial vehicle sector. In Japan, the company produces over 300,000 small commercial vehicles a year.

Subaru cars have been on sale in the UK since 1977 and under the terms of the voluntary restraint agreement about 3,650 a year are sold.



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The Mary Rose and her 'treasures' are on display at Portsmouth Naval Base. 7 days a week.

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By the early eighteenth century a hard layer of shelly clay had sealed the once proud warship in her watery grave.

On October 11th 1982, a salvage operation on a scale never before attempted brought the forlorn remains of the Mary Rose to the surface.

Not only the hull, but a host of precious artefacts that tell of life in Tudor England were rescued from the muddy sea-bed. But in the process of drying them out they could easily be harmed or destroyed.

In order to preserve them, we gave the Mary Rose Trust a chemical solution called polyethylene glycol. Once these items (such as wooden bowls and leather shoes) have been soaked in this solution, they undergo a freeze-drying process that will carefully preserve them for posterity.

At the same time, the bulk of the hull is sprayed with water to stop it from drying out, and to prevent microbiological decay.

After two years of this treatment a lengthy round-the-clock spraying of an ethylene glycol will begin, before the hull is left to dry out.

The whole process to preserve the Mary Rose will take about twelve or fifteen years to complete.

But in the extraordinary life history of the Mary Rose that's just a drop in the ocean.

YOU CAN BE SURE OF SHELL

UK NEWS

Rise in industrial output shows sluggish recovery

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

INDUSTRIAL output rose by about 3 per cent in the three months to May compared with the level in the previous three months, according to the latest official estimates.

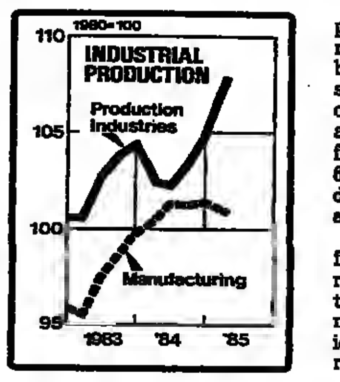
Total industrial output in the latest three months was 4½ per cent higher than in the same period a year earlier. Much of the increase represented rising North Sea oil and gas production and the resumption of coal mining in pits which had been on strike.

Coal and coke output in May is estimated to have recovered to about 85 per cent of its level before the miners' dispute. Excluding the effects of the year-long strike, which ended in March, output rose by about 3 per cent over the year to the latest three-month period.

The figures suggest only a very sluggish recovery of manufacturing industry, in spite of relatively buoyant indications from the latest Confederation of British Industry survey.

Manufacturing output in the latest three months was ½ per cent higher than in the previous three months but only 1½ per cent higher than a year earlier.

Manufacturing output is now 9½ per cent higher than its lowest point in the first quarter of 1981, but still nearly 8 per cent below its average level in 1979.



The detailed figures show that production of consumer goods has responded very sluggishly to a brisk increase in demand in the shops. In the latest three months, output of consumer goods was only about ½ per cent higher than in the first quarter of last year and only 6½ per cent higher than in the depths of the recession four years ago.

In the latest three months, output from factories making capital goods rose by 2.2 per cent, compared with the level in the previous three-month period. This reflects the rapid increase in capital spending in recent months.

The fastest increase was in the output of "intermediate goods," which includes components. This rose by almost 2 per cent in May compared with April and by 4.4 per cent in the three months to May, compared with the level in the previous three months.

Lex, Page 18

Companies urged to develop more job creation schemes

BY JOHN LLOYD, INDUSTRIAL EDITOR

BUSINESS leaders and Government yesterday launched a joint high-level appeal to companies to increase their attention to employment creation.

In one of the strongest statements yet made on unemployment by a business leader, Sir Terence Beckett, director general of the Confederation of British Industry (CBI), told a conference on "Company responses to unemployment" that "the total problem of unemployment we face is vast, and we have not really got a full and proper answer to it."

He said that widespread change in the structure of work was required – change which went far beyond the mere contraction of older industries or the consequences of tight monetary policy.

What was now being witnessed, Sir Terence said, was "a foretaste of a world where sufficient wealth can be created without needing the contribution of all those who are willing to work gainfully."

"To solve the problem in the long run will involve change in our society that will be needed to give satisfaction to those for whom work is not available, to enable them to structure their time and make life worthwhile," he said.

"It will also involve the problems and the redistribution of income between those in work and those out of work, while at the same time, we hope, avoiding putting too much of this redistributive mechanism in the hands of the state."

Sir Terence said that the CBI was in the process of mapping out a "strategy to manage change" which would be the theme of the CBI conference in November.

He warned that the UK remained 20 per cent less competitive than Japan and the rest of Europe than in the early 1970s. "Our underlying performance on unit labour costs continues to erode the position. Our average pay increases are rising more than twice as fast as in Japan, Germany and the U.S., while our productivity is increasing slower."

Sir Terence said that flexible work patterns were becoming entrenched in the UK. "We are rapidly seeing the demise of the 9 to 5, five-day week and the arrival of the 24 hour, 365 day a year culture."

Mr Brian Nicholson, Manpower Services Commission chairman, told the conference that business only contributed 2 per cent of the places offered to the long-term unemployed under the Community Enterprise scheme – a scheme which was now expanding by a further 100,000 jobs, to 230,000.

Mr Roger Dawe, in charge of manpower at the Department of Employment, said that Government remained committed to job-splitting schemes, in spite of their failure so far. However, the schemes would be extended and made more flexible.

Exchange rate 'not adverse to industry'

MRS MARGARET Thatcher, the Prime Minister, told the House of Commons there was no reason to believe that the present exchange rate of sterling was adverse to British industry.

In her first public comment since the recent rise in sterling, she said that a fair pound against the dollar meant cheaper raw materials and components while a lower pound made exports more competitive. But she warned that it was "not advisable to rely on the exchange rate for competitiveness."

Mrs Thatcher said that interest rates would be kept "at whatever level is necessary for downward pressure on inflation and no higher than that."

□ THE GOVERNMENT should increase its borrowing requirement to finance tax cuts, the Institute of Directors said.

It claimed in a paper that a more relaxed attitude to public borrowing would be consistent with an anti-inflation strategy, provided that the Government was more successful in controlling public spending and the growth of the money supply.

□ APPLICATIONS have been received by the Government from 49 companies and 12 banks seeking to act as advisers to the Department of Transport over the selection of the bidder to build the proposed fixed link across the English Channel.

Bidders have until October 31 to submit comprehensive schemes. Two Anglo-French consortia – Euroroute and Channel Tunnel – have already disclosed extensive preparations for a bid.

□ UK AIRLINES are being asked to toughen their security procedures at home and overseas after discussions between the Government and the National Aviation Security Committee, of which the airlines are members.

Mr Nicholas Ridley, Transport Secretary, said that the measures would be backed by statutory powers if necessary to ensure their enforcement.

□ INMOS, the troubled microchip subsidiary of Thorn EMI, is making 220 of its 980 UK employees redundant. The expected job losses are to be followed shortly by similar cuts in the U.S.

Mr Harold Mourgue, chairman of Inmos, warned last week that it would be cutting about one quarter of its 2,000 employees in the two countries as part of a move to cut annual costs by £20m.

□ INTASUN Leisure Group, Britain's second largest package tour operator, is buying two former British Rail hotels in London in a deal worth £37m.

The hotels are the 350-room Grosvenor at Victoria station and the 218-room Charing Cross. The purchase is part of a £100m hotel buying programme announced jointly by Intasun and the U.S.-based Ramada hotel chain in May.

□ TWO OUTSIDE investors are each taking 20 per cent stakes in Parsons & Co, the Glasgow-based stockbroking firm which is considered to be the second biggest in Scotland.

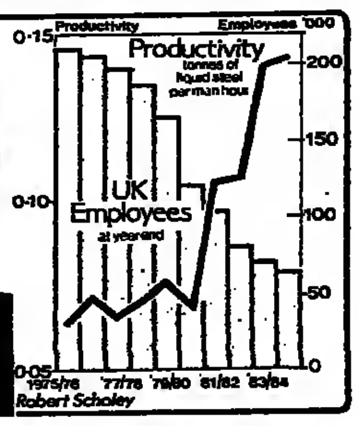
The two investors are James Capel the London broking firm which is being acquired by the Hongkong and Shanghai Banking Corporation, and PosTel Investment Management, which controls the investments of the Post Office and British Telecom Pension schemes.

□ NORWICH union has paid Prudential Assurance over £45m for the freehold of two office buildings in one of the largest recent property deals in London's West End.

□ YESTERDAY'S report of Babcock Power's acquisition of the Robey boiler company named the purchase price as £7m. This should have referred to Robey's latest annual turnover. The purchase price was not disclosed.

Ian Rodger charts a steelmaker's difficult recovery path

Gleam on the face of British Steel



Robert Scholey

DR DETLEF ROHWEDDER, chairman of Hoesch, the West German steel group, said a year ago that only three of Europe's major steel makers had a future – Thyssen of Germany, Hoogovens of Holland and "perhaps Hoesch."

Yesterday's report from the British Steel Corporation (BSC) indicates that a fourth producer is making a bid to join this exclusive club. Sir Robert Haslam, BSC chairman, says in his statement that the group's productivity has more than doubled in the past five years "and now compares well with the best in Europe and North America."

However, Sir Robert also acknowledges that BSC's recovery from the bottom of the productivity league table 10 years ago is nothing more than a "milestone" in its still difficult and painful drive for commercial viability.

The main contributing factor to BSC's improvement so far has been a drastic reduction in manning. The corporation's workforce has plunged from a peak of 228,000 in early 1975 to only 54,500 today. Over the same period, its steel deliveries have dropped only 30 per cent to 10.6m tonnes.

For all that, BSC could only eke out a pre-tax profit of about £40m last year, after extracting the costs of closures and the miners' strike. And Sir Robert indicates that even though the corporation has continued to be profitable in the first quarter of the present year, he fears that it is "reaching a plateau in the rate of profit obtainable." On equity capital of £3.4bn that is nowhere near the survival level, as the chairman also acknowledged. "Real viability would require an annual figure well over £300m," he says, and the obstacles to getting there remain very substantial.

The biggest obstacle is the lack of growth in demand for steel. In the UK, where BSC sells nearly three quarters of its steel, consumption has actually declined from 17.9m tonnes in 1970 to 11.4m tonnes last year, and there is little prospect of any major recovery. The main markets for steel beams and plates are the construction, heavy plant and shipbuilding industries, and they are much smaller than they were 10 years ago. The same is true of the automotive industry, which is the main user of strip steel.

Sir Robert says that "without sustained improvements in these business sectors, BSC will find it difficult to reach its profit goals."

As for export markets, BSC is finding the general environment increasingly hostile, mainly because of the rising trend of protectionism in many countries. Mr Bob Scholey BSC's chief executive, says in his statement that the recent agreements by many countries to restrict their steel shipments to the U.S. "will create a large displacement of tonnage which would otherwise have gone to the U.S. and which, consequently poses a serious threat to the stability of world steel markets."

He also complains of relatively high energy and port costs in the UK, claiming that port charges are as much as £5 a tonne higher than those in North Continental ports. "This represents an important penalty and erosion of modest margins when it comes to exporting," Mr Scholey says.

Meanwhile, the opportunities for further dramatic improvements in productivity appear limited. Manning levels are stable and the corporation is well along in its programme to increase the portion of its steel that is made via the highly efficient continuous casting process. Last year, 35 per cent of the steel made in its integrated works was continuously cast, compared with only 29 per cent in 1982.

The potential for price increases also seems limited as long as there is excessive capacity in the industry. Sir Robert reiterates his view that BSC must make further major plant closures. He agrees with the European Commission which recently stated that steel producers must operate at above 80 per cent of their capacity if they are to make adequate profits.

At the moment, BSC is operating at only two thirds of its maximum capacity of about 20m tonnes. (This should not be confused with its manned capacity of 14.6m tonnes.)

Sir Robert does not single out any particular plant for closure, but says: "If the corporation is to achieve and then sustain commercial viability, further changes in our plant configuration cannot be avoided."

Despite these negative factors, the corporation does have some favourable forces going for it. The write-off of its disastrous Canadian iron mining venture will eliminate £40m of losses at a stroke. And the closure of other large loss-making plants, such as the Hartlepool plate mill and the Tinsley Park (Sheffield) engineering steelworks, will not only cut costs this year but also help to improve the operating rates of other plants.

But, as BSC officials recognise, there is still a long and uncertain way to go. After 10 years of successive losses, no one at BSC can be confident that things will now work out easily.

AMERICAN BAR ASSOCIATION CONFERENCE

U.S. Act 'open to business espionage'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE U.S. Freedom of Information Act is being used by companies to conduct industrial surveillance or espionage against their competitors, a Washington lawyer claimed in London yesterday.

An Act that was supposed to enhance openness in government was being distorted by being used to peer into business files, Mr Burt A. Braverman told a meeting of the American Bar Association.

"The current trend in Washington is that government is becoming a clearing house for business information." That kind of use of the Act was affecting competition and making companies reluctant to give information to federal authorities, Mr Braverman said.

The Food and Drug Administration received up to 40,000 requests for information each year. More than 80 per cent were from companies seeking information about other companies.

Nor was it only U.S. companies using the Act in that way. Japanese car manufacturers used it to find out what their competitors were doing – in Japan as well as in the U.S.

Mr Braverman said companies were becoming more cautious in their dealings with government. They were withholding information, or altering its form, or forcing government to subpoena it – and then fighting the subpoena in court.

They had been forced into that defensive, less co-operative, position by the knowledge that any information they gave government agencies could be obtained by others using the Act.

Mr Braverman claimed that some companies had also stopped doing business with the U.S. Government because they had found that a government contract was not worth the harm they would face if information about their business were disclosed.

The Act exempted from disclosure trade secrets and confidential information; but in recent years the U.S. courts had required a higher standard of proof from companies seeking exemption on grounds of confidentiality.

"Reverse" freedom of information suits, in which companies went to court to try to stop government releasing information, were becoming a growth industry in civil litigation, Mr Braverman said.

Dr Kathleen Buck, a lawyer with the U.S. Defence Department, said the department recognised its responsibility to protect proprietary business data from wrongful disclosure.

The department frequently received requests under the Act from companies in connection with the award or performance of contracts. It had reached the point where, before a contract has been awarded, bidders asked for their competitors' proposals.

To the extent that a company's information was a trade secret or confidential, commercial or financial information covered by the Act, the department could protect it, Dr Buck said.

The courts had ruled that to qualify for such protection, its disclosure must either be likely to impair the Government's ability to obtain necessary information in the future, or to cause substantial harm to the competitive position of the firm from whom it was obtained.

Dr Buck said the Freedom of Information Act had become an important part of the U.S. public affairs programme to ensure accountability to the public. That meant that it was not to be used to cover up information because it was embarrassing or revealed mistakes, under the cloak that the information was proprietary.

Kansas reactor raises Sizewell PWR hopes

BY DOMINIC LAWSON

HOPES OF quick official approval for plans to build Britain's first pressurised water reactor (PWR) at Sizewell, on the east coast of England, were raised yesterday by first results from a U.S. nuclear power station on which Sizewell is closely modelled.

The Central Electricity Generating Board (CEGB), which argued the case for a PWR during a two-year public inquiry which ended in March, said the Calloway PWR in Kansas had operated at an average of more than 80 per cent of capacity in its early months of operation.

Mr Brian George, Sizewell technical director, described that as "an outstanding performance for a plant in its first year of operation." A below-average performance at Calloway would have dealt a severe blow to the campaign to get official approval for Sizewell. A decision on the project is expected in November.

At the public inquiry the CEGB risked its case by nominating Calloway as a "reference plant" for Sizewell, even though the Kansas plant had not then become operational.

The CEGB is planning to use the Calloway reactors' performance in a final campaign to discredit the appearance of the Advanced Gas-Cooled Reactor (AGR). The South of Scotland Electricity Board claimed at the inquiry that the AGR would be more efficient than the PWR besides being based on UK technology, in contrast to the PWR, which has been developed by Westinghouse of the U.S.

U.S. lawyer's status over Laker uncertain

BY DUNCAN CAMPBELL-SMITH

THERE were conflicting views yesterday of the position of Mr Robert Beckman, the U.S. legal adviser and close personal friend of Sir Freddie Laker, *vis-à-vis* possible future litigation over the collapse of Laker Airways in 1982.

Mr Beckman, who is at present on holiday, was reported to have had lengthy conversations with Lonrho about the prospects for an anti-trust suit which the company is planning to launch on behalf of two businesses owned jointly with Sir Freddie.

The defendants would include British Airways as well as British Caledonian and other international airlines.

At the same time, however, Mr Beckman is understood still to be retained as U.S. counsel by Mr Christopher Morris, of accountants Touche Ross, who is the liquidator of Laker Airways. Mr Morris said yesterday that Touche Ross had last month been approached by Lonrho for clearance to use Mr Beckman's services as counsel.

Mr Morris said he had personally informed Mr Tiny Rowland, Lonrho's chief executive, that Touche Ross was not willing to give Mr Beckman permission to act in this capacity while retained by Touche Ross.

Lonrho now appears intent on pursuing an anti-trust action in conjunction with Sir Freddie, and on securing Mr Beckman's services as U.S. counsel. "There is no question of Sir Freddie or ourselves doing anything separately," said Mr Rowland. "We are together in this."

Mr Beckman advised Mr Morris as the plaintiff in the U.S. Laker anti-trust action settled out-of-court last Friday. It was not clear last night how exactly tha settlement – which set $12½m aside for Mr Beckman and the other plaintiff's lawyers – has affected the retainer.

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RESOURCES REVIEW

Boost for China's coal industry

By Gerard McCloskey

AFTER NEARLY four years of talks Occidental Petroleum has finally signed a joint venture agreement for the development of a major Chinese coal mine—the first Chinese mine to be developed with foreign co-operation.

The agreement, which will lead to the construction of the U.S.$650m Antaibao mine in Shanxi province, came as most coal analysts had written off the venture, suspecting that Oxy was planning a withdrawal in the face of tightening world steam coal markets and depressed price levels.

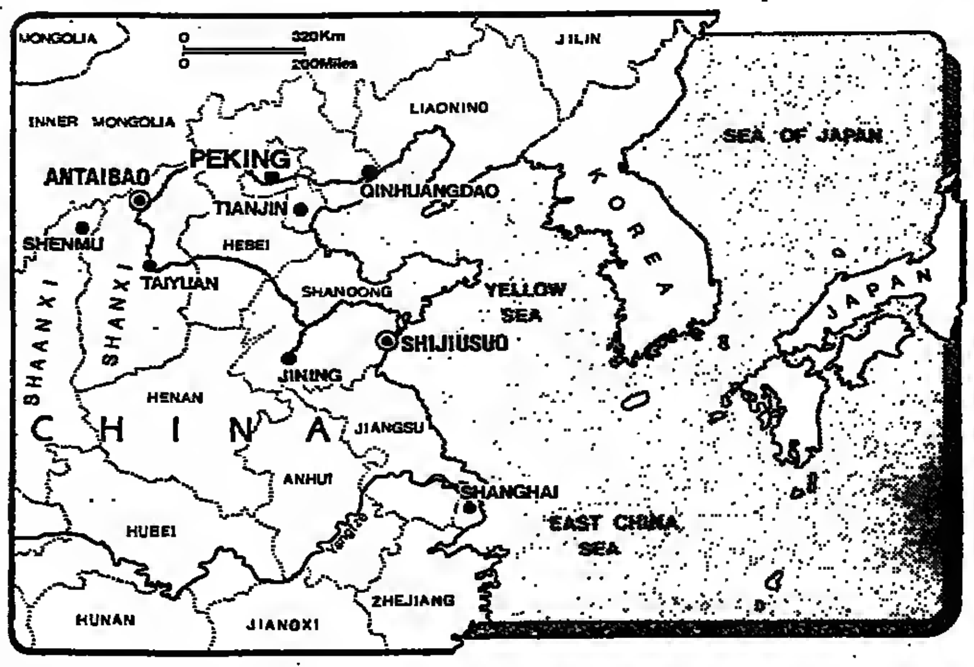
Although the final go-ahead for the 15.3m-tonne-a-year mine came at a ceremony only at the end of June the uncovering of the coal deposit has started and the partners predict that production will begin in September 1987. Some 8m tonnes of the mine's output is destined for export, with Japan and South Korea among the most likely customers.

Oxy, which already has considerable coal interests through its Island Creek Coal subsidiary, is to take a 25 per cent stake in the mine it originally bid for 50 per cent. The remaining participation will be by the China National Coal Development Corporation (CNCDC) which has a 50 per cent holding and the Bank of China Trust and Consultancy Company (BOCTC) which takes the balance.

Oxy says that 90 per cent of its and BOCTC's investment will be provided by a consortium of international banks including Bank of America, Royal Bank of Canada, the Industrial Bank of Japan and Credit Lyonnais.

That Oxy has won the race to open the first international coal project in China — ahead of Shell's smaller Jinning II pit in the coastal province of Shandong, owes much to the personal influence of Dr Armond Hammer, the remarkable 87-year-old chairman and chief executive officer of Occidental.

But having arrived at this point, Oxy still faces some difficult times in a venture which was planned in the early 1980s, when swiftly-rising prices were backed by a series of forecasts promising a rapid expansion of demand for the rest of the century.



Antaibao's coal will have to compete with the large Colombian mine, El Cerrejon, which by 1987 will be producing 15m tonnes of coal a year — compared with 3m tonnes expected to be exported this year. South Africa is also expected to be shipping an additional 15m tonnes of steam coal by the end of the decade. With extra tonnage also expected to be on the market from Australia and Canada and, possibly, the U.S., Oxy's Chinese coal could be struggling to find a market.

Also the mine may prove expensive to operate with an overburden (waste rock) to coal ratio quoted at nine to one: "not world class," commented one mining specialist. If this were not problem enough for Oxy, the quality of the coal is not particularly high. Oxy declines to confirm the figures but the heating value of the coal is believed to be a mid-ranking 11,500 Btu/lb and the sulphur figure of 1.5 per cent is poor and compares with well under 1 per cent for most internationally-traded coals apart from that from the U.S. The coal also faces a lengthy 500 km-plus rail haul to the export terminal at Qinhuangdao on China's N.E. Pacific coast and much of the rail route is said to need substantial upgrading to be able to carry the export tonnage.

> Antaibao's coal will have to compete with the large Colombian mine, El Cerrejon, which by 1987 will be producing some 15 tonnes of coal a year

Antaibao also compares unfavourably with Shell Coal's Jinning II pit. Coal quality, with 12,000 Btu/lb and less than 1 per cent sulphur, is higher and the proposed mine will use an existing railroad for the relatively short haul to the Shijiusuo terminal which is already handling 100,000 dwt coal-carrying vessels.

There is another low sulphur, high calorific coal prospect at Shenmu but this was recently re-rated from a projected 15m tonnes to 5m tonnes a year and has yet to attract Western participation.

Whatever the fate of Occidental's Oriental venture, however, it is clear that the early hopes held out for the Chinese coal industry are more than fulfilling their promise. A target to double production from 600m tonnes at the start of this decade to 1,200m tonnes by 2000 looks achievable. Production has increased each year since the beginning of the decade and last year rose by 45m tonnes to 715m tonnes, making China the world's largest producer.

While many hopes for the future depend upon major mines such as Antaibao and Jinning, a large proportion of the increase in recent years has been at the other end of the scale: the profusion of mini mines which has followed the lifting of the state monopoly on coal mining in 1983. Today 50,000 such pits are operating — almost three times the number working at the start of 1983. Last year these private enterprise mines produced 203m tonnes of coal, well over a quarter of national output.

But when it comes to exports — currently only 1 per cent of production — the future belongs to foreign-financed mines. Ten joint venture/foreign financed coal projects are in various stages of consideration with a combined 57 tonne output, a sixth of which will be sold overseas.

Although Chinese expectations for their exports are not high, with CNCDC forecasting a rise of 10m tonnes to 16.5m tonnes by 1990 and a further moderate rise to 20m tonnes by the end of the century, the announcement of shipments of Antaibao coal at a time when the venture had been written off by more than one forecasting house, is most unwelcome news for mines serving the international marketplace.

One possible conclusion is that Oxy and the banks involved are eager to back Antaibao primarily because it is Chinese, rather than because of its economics. China is seen as a growing market and early participants may have a head start when the richer pickings become available in tha years ahead.

But the bankers involved in advancing over $400m in loans insist that this is not the case and that they are in Antaibao for its own worth. The geographical advantage of China for coal sales to Japan, Taiwan and South Korea is obvious. Perhaps the bankers say, political difficulties of China marketing to the latter two countries could be overcome if the Occidental share of the coal could be marketed as U.S. coal.

But despite the size and cost of the mine, those who had already written it off as a romantic interlude on the part of Mr Hammer, seeking to open up Communist China to trade in the way he opened up Leninist Russia more than half a century before, have been proved wrong. The world coal market may not be quite ready for Antaibao, but the project is here to stay.

Gerard McCloskey is editor of the FT International Coal Report.

TECHNOLOGY

EDITED BY ALAN CANE

Four steps in the thought process of a computer

ARTIFICIAL or machine intelligence has been a goal of academic research for more than two decades; the "expert system" is one of the first fruits of that quest.

A truly "intelligent" machine would be able to acquire, store, retrieve, manipulate and apply knowledge to problems. The present state of the technology allows such systems to be built only for specialised or expert knowledge.

According to Systems Dynamics of Chorleywood, Hertfordshire, which has made a special study of artificial intelligence in the UK, any expert system must contain four modules.

First, a mechanism for capturing data or rules either from a human expert or a database—the Helix Expert Edge will interface, for example, with the Lotus 1-2-3 integrated spreadsheet and the Ashton Tate database packages Dbase II.

Second, a directory of data, rules and relationships. Many expert systems work on rules of the form: If X and Y then Z.

Next there must be an inference engine, a tool for harnessing the knowledge base when presented with possibly incomplete data so that it produces an output or explanation.

Last there must be a mechanism making it possible for the machine to explain how it arrived at its recommendations or conclusions.

Systems Dynamics gives as an example this output from a vehicle maintenance system:

System: "I have +2.37 (high) probability of worn bearings."

User: "How" (did you arrive at this conclusion).

System: "Knocking noise from lower end of engine."

"Loss of power."

"Low oil pressure."

"Noise reduced when idling."

"Noise reduced when cruising."

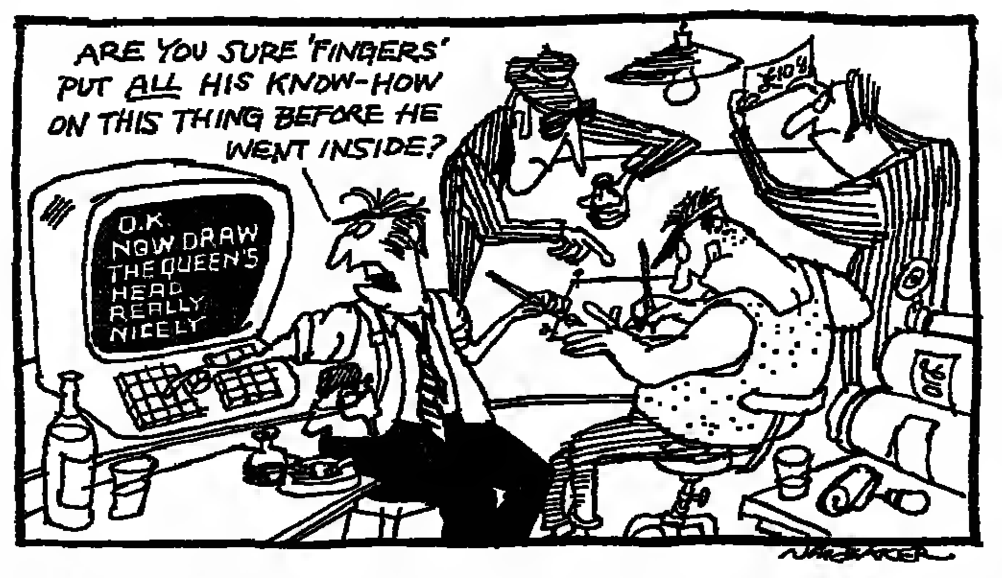
"Noise increases under load."

Faced with such a damning diagnosis, what motorist would not take his or her car in immediately to have the bearings replaced?

Development of Artificial Intelligence in the UK, £360, Tel: 09278 4674.

Suddenly, everyone's mind turns towards artificial intelligence

Alan Cane finds a spate of interest in expert systems



BRITISH companies are showing unprecedented and unexpected enthusiasm for expert systems, software which confers a measure of "intelligence" on personal computers. They are one of the most important kinds of advanced computing aid, yet business and industry had shown little interest in their potential until a few months ago. Now the situation has changed dramatically.

Mr Michael Newman of the National Computing Centre says of the centre's expert system starter pack: "There is an enormous degree of interest at the moment. We have already sold between 150 and 200 of the starter packs—it is what we hoped for but we were taken by surprise by the speed at which they went."

Simon Parry, sales manager of Expertech, a small artificial intelligence company, says: "It is an extraordinary situation. We started running seminars on expert systems once a week. Now demand is so great, we have to run them twice a week.

"If we run demonstrations in individual companies, we find 20 or more people coming where we could have expected half a dozen.

"We have only been selling our system since June but already we have had sales or promises of sales to 30 per cent of the UK's top companies."

It is said that Expertech achieved its first quarter sales target within five weeks of trading.

The picture is the same at Helix Experts Systems, which sells a product called Expert Edge. Managing director David Imberg says: "There is a great deal of interest. Many companies are buying expert systems to gain experience of the technology and to experiment with prototypes of the kind of systems they would like to see installed in their organisations. They may be buying only one or two systems at present, but all these companies are thinking about multiple applications."

So what has happened in the past few months? Expert systems, after all, are not new although they are still a comparative novelty in commerce and industry.

What has happened is the emergence of expert systems for the ordinary man, systems cheap enough to be bought in hundreds by large corporations to run on ordinary personal computers.

"There is certainly a lot of glamour attached to artificial intelligence computers at £30,000 and more," says Mr Imberg. "But it makes more sense to come in at the low end using a standard personal computer."

At its simplest, an expert system is a collection of information about apartieular subject stored in the memory of a computer. There are also sets of rules controlling the way the information can be manipulated, derived from the experience of an expert in the subject. And there is computer software making it possible for an inquirer to ask a question of the system and get a reasoned reply, complete with explanation of the steps in the reasoning.

Early expert systems dealt with the diagnosis of disease, analysis of mineral deposits and the control of sophisticated manufacturing processes.

All these systems were developed on large and expensive computer systems by artificial intelligence specialists. The result was that although the value of expert systems was clearly understood, their operation was shrouded in mystery, their practicality in doubt.

The big change in the past few months has been the realisation that simple, low cost expert systems, running on personal computers, can be used by people who are not experts in computing in order to create worthwhile systems.

This was the aim of the NCC's starter pack (named the Alvey starter pack after the UK's initiative in collaborative development in advanced computing).

Costing £550, the Alvey pack consists of extensive documentation together with examples of four of these simpler expert systems, Expert Ease (devised originally by Professor Donald Michio of the Turing Institute in Gfasgow); Micro Expert, a program which sets a degree of confidence on its edvice; ESP Adviser from Expert Systems International and Micro SYNICS, o simplo system created by Liverpool Polytechnic.

The four examples are demonstrations rather than full-blown working systems, but they give e good insight intn the way these products work.

The Expertech product, Xi, is, at £495, finding o ready market among companies anxious to store the knowledge of their experts—the archiving of rare skills. Simon Parry gives tho example of the ormourer turning out exquisite gun barrels using e lathe be had modified to his own liking. On his retirement, no one else could achieve his quality and outside "experts" proclaimed tho lathe unsuitable for weapon manufacture. An expert system could have captured all that skill for posterity.

At £650, the Helix product Expert Edge uses only focts, rules and probabilities to build an expert system. As well as jutifying its answers—a vory important attribute of an expert system—Expert Edge can also justify the questions it asks in its dialogue with the user.

There is something of a danger in these smaller, easy-to-uss systems that the ingenuity built into the system is hidden by the obvious nature of some of the applications to which they can be put. Maintenance of complicated machinery is one example—the expert systom can resemble nothing more complicated than an automated reference manual.

But as Mr Alex d'Agapeyeff, chairman of Expertech points out: "Although it is simple for the beginner, it is also a powerful tool in the bands of professional knowledge engineers like those at the Imperial Cancer Research fund."

Most of theso new-style expert systems for the ordinary man are being developed and marketed by small companies. But even IBM, although it is officially cautious about the short term prospects for systems based on artificial intelligence, last year launched an expert system shell, Prism, and on expert aid to computer operalors, Yes MVS, among a clutch of artificial intelligence product launches.

Chance for sugar trade expert's memory to live on

Frank Thomlinson: Unparalleled knowledge

MR FRANK THOMLINSON, *main board director* at Tate & Lyle, will retire soon taking with him a knowledge, probably unparalleled anywhere in the world, of tho sugar industry and its regulation.

"We are going to lose a lot of that experience" bemoans Mr Jeff Packman, T&L gronp senior computer consultant. "It will take his successor two to three years to build tho same knowledge."

Which is why Mr Packman is putting a lot of faith in his Expertech Xi system, delivered somo three weeks ago. He plans to archive Mr Thomlinson's encyclopaedic knowledge of the sugar business, *storing it in the Xi* database for posterity. Mr Thomlinson has yet to agree to having his brains picked clean electronically.

T&L is the kind of company that wonld be expected to be in the vanguard of expert system experiments; it is a *sophisticated compoter user* and was one of the first of the UK organisations to move from centralised to decentralised data processing to service the many different organisations which make up the group.

For a hardened data processing professional, Mr Packman is enthusiastic obout Xi: "It is e marvellous prodnct. In the right area I can see it making a real contribution."

"Our first plan is to use it for pension fund legislation. With our overseas ocquisitions, our in-house pensions experts now have to absorb an awful lot of knowledge."

"*Xi is very easy to use after* the knowledge base has been set up and even that does not seem very diffienlt. "I'm generally thrilled with it."

"It does have a flaw, however. Its mathematical ability is poor and that will be quite important when we apply it to our pension schemes. Expertech is working to improve this, I'm told."

Among the kinds of uses to which expert systems of the Xi type can be put as well as rare skills archiving which Mr Packman is planning are clarifying hidden skills and the creation of readable manuals and regulations.

Safety manuals are a typical example of the third class. Alex d'Agapeyeff argues: "The majority of such manuals are written to be defended and not to be readable. As a result, many of them are not read and have little influence on any actual safety regime in force."

"This is a tragedy because safety is a natural rule based discipline. Any manual can be supplemented with summary heuristics (potted knowledge) which, with care are made practical and memorable."

Professor Kowalski and his team have implemented most of the British Nationality Act, a remarkably opaque document even by the normal standards of British law, in the artificial intelligence language Prolog. He has shown it can be translated into rules intelligible to an educated person."

Ferranti joins deal on automation

FERRANTI is the latest company to announce its commitment to the manufacturing automation protocol (MAP) devised by General Motors. MAP allows computers, machine tools, robots and other automation equipment from different manufacturers to be connected together.

Ferranti joins over 100 companies including IBM that have made varying degrees of commitment to MAP. About 12 of them, including Motorola, Digital Equipment Corporation, Concord Data Systems, Industrial Networking and Ungermann Bass have said they will make suitable products.

MAP is a major initiative to standardise multi-channel networking in manufacturing. *It is based on the International Standards Organisation model for open systems interconnection (OSI) using a broadband (high information rate) network.*

Ferranti is an established broadband system supplier and also offers process control systems. It plans "to pace its product development against the emergence of the latest MAP standards" and will provide appropriate MAP-compatible interfaces on to its broadband communications systems.

The company is encouraging users to lay down broad*band networks now, in* preparation for full MAP implementation. Some 60 Ferranti broadband systems are already operational

Measured move

MEASUREMENT specialist *C. E. Johansson of Dunstable* has a new roundness measuring machine for mechanical components.

Using an advanced microprocessor program to simplify measuring, it is claimed to be both accurate and reliable. Straightness and flatness can also be measured.

THE MANAGEMENT PAGE

WHICH international group has the largest number of hotels in France, West Germany and the Netherlands, is building a hotel in Peking, is worldwide market leader in the issuing of meal vouchers, provided the catering for the Organisation of African Unity summit last year and owns a string of fast food restaurants in California?

The answer is the French-based Accor group. It is a name which few outside France have ever heard of and even fewer are aware of its full range of activities. Indeed, Paul Dubrule and Gerard Pelissoo, the two-man team which runs the group, would be the first to admit that it still has a problem projecting its name.

Accor had its beginnings nearly 20 years ago in a single three-star hotel on the outskirts of Lille in northern France built by Dubrule and Pelisson — largely on borrowed money and on equity capital scratched together from relatives and friends. It is now a major international hotel, restaurant and services group operating in 62 countries with a turnover in excess of FFr 10bn (£840m) and a strong profit record.

This makes it the largest French hotel group (and the ninth largest in the world behind the American giants and the British Trust House Forte and Imperial Group's Howard Johnson subsidiary)—a track record which won Dubrule and Pelisson the French accolade last year of "Managers of the Year."

As part of its policy of increasing its access to the international capital markets and widening its share ownership, the group is now set to make the Accor name better known outside France. To this end Dubrule, 50 and Pelisson, 53, will be in London tomorrow to talk to investment analysts. "We are interested in giving a more international character to our share ownership," Pelisson says.

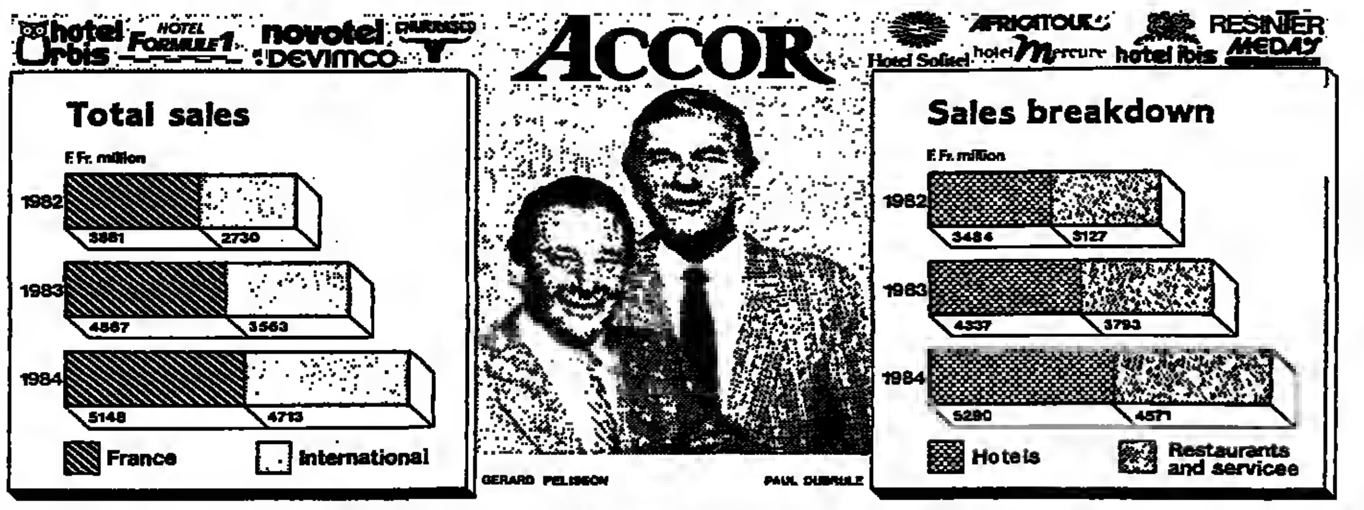
Though the origins of Accor go back to 1967, the name was only born two years ago with the merger between Novotel (the group founded by Dubrule and Pelisson and which includes the Sofitel, Mercure and Ibis hotel chains) and Jacques Borel (one of Europe's largest restaurant and institutional catering groups and a previous owner of Sofitel).

Accor's activities now embrace 486 hotels worldwide (from the one star category through to luxury hotels), 1,616 restaurants (including the Seafood Broiler, Courte Paille, Churrasco and Pizza del Arte chains), meal vouchers (Ticket Restaurant), institutional catering (Generale de Restauration), food and lodging services for major long term construction projects (Compagnie Internationale de Restauration) and travel agencies.

Corporate identity

A Gallic appetite for growth

David Housego, in Paris, reports on the strategy of France's largest hotels group



Pelisson believes that this seeming hotch potch of hotel, catering and service activities (similar in some ways to Trust House Forte and to Marriott of the U.S.) provides in fact a well-knit whole. With all its activities "we have an entrance ticket which can carry us into any country in the world," he says.

Dubrule and Pelisson also believe that the hotel and catering industry is an expanding market. Both holiday and business travel are growing but in many cases the stock of hotel rooms is ageing. Dubrule points to the example of France's one star hotels in city centres or small towns where rooms have grown shabby with age. "The stock of hotel rooms is naturally declining," he says. "Owners either sell out to realise a capital gain or they cannot afford the upkeep." Accor is now building in France a new chain of Formula 1 hotels with the emphasis on providing a modest but comfortable room at under FFr 100 a night.

Pelisson says that another area where he sees great potential is in institutional catering. "In the years to come," he argues, "public administrations and companies will increasingly contract the management of their catering services to outside firms. Currently 80 per cent of them provide these facilities themselves. But they want them better managed and with greater attention to costs. There is a substantial market share that we can absorb."

Both are optimistic as well over the longer term future of the restaurant market. "It is obvious that people are eating out more and more," Pelisson says. But Dubrule adds that the problem is to find the right market at the right time and to create a restaurant chain which has a competitive edge over the specialised product that an individual owner can provide.

But there are other advantages as well in the group's particular product mix. The hotel industry is costly in investments and slow yielding in profits. "The investments we are now making in the Far East will not bring in anything for eight years," Dubrule points out. "In the U.S. we still need four to five years to break even." But restaurants, catering services and the issuing of meal vouchers need little outlay and bring quick returns.

Dubrule and Pelisson are themselves a unique phenomenon in the French business world—as inseparable as names as Procter and Gamble or Marks and Spencer. They built the first Novotel together in Lille in 1967, co-chaired the Novotel group and are now co-presidents of Accor — never taking a major decision without consulting the other. But because French law demands that one man carry legal responsibility in a company, they in practice take it in turns to hold the president's post. This year it is Dubrule's turn.

At first sight they could not be more different. Dubrule is a fair haired northerner from Tourcoing near Lille, who wears sports jackets and likes to bicycle in his free time. He is more responsible for sales and product development.

Pelisson is a stocky, golf playing southerner from Lyon. He went to the Harvard business school and then MIT before rising to be director of planning and control for IBM Europe. He is the team's financial expert.

The first Novotel at Lille had all the hallmarks of the Dubrule/Pelisson style — a location outside a city centre and close to the airport and the motorway, standardised construction to keep down the costs, comfort and efficiency of service. The surprise, says Pelisson was that the restaurant did "much better than we had expected." American hotel experience had been that there was little money to be made out of hotel restaurants.

Partly as a result of their Lille experience they purchased in 1974 a majority stake in the Courte-Paille group of grills, also located on the outskirts of cities or close to motorways.

Expansion was rapid—hence the flight of birds that they chose for the Accor emblem. They launched the Ibis two star hotel chain in 1973, took over the Mercure three star chain in 1974, began developing in Africa (where they are now market leader), the Middle East and Latin America in 1976, opened their first hotel in the U.S. in 1979 and took a majority stake in the Sofitel group—which gave them access to four star and luxury hotels—in 1980.

The most difficult decision came with the chance to take over Jacques Borel, the restaurant and catering group which had run into difficulties because it had miscalculated the time needed to produce yields on its heavy investments in building up the Sofitel group.

"At first we were hesitant," says Pelisson. "We knew nothing about institutional catering." They then agreed to manage Jacques Borel for a period before deciding on a financial commitment. "It was an astonishing chance," Dubrule says. After a year they realised that taking it over would represent a "very, very good opportunity." But before finalising the deal they consulted the management personnel of Jacques Borel.

Since then Accor has continued to grow, purchasing the Cunard hotel in London, opening a new hotel on Broadway in New York last year and continuing its move into mid-city sites with the opening of Novotels in Paris at La Defense and Les Halles.

Worldwide, half the hotels belong to the group and half are either managed or licensed under franchise. But the rapid pace of expansion has involved heavy borrowing. Long term debt stood at FFr 2.47bn in the balance sheet at the end of 1984 (including FFr 810m of convertible stock).

With capital and reserves of FFr 848.7m, this represents a debt-to-equity ratio of 65/35. Pelisson is not worried about this, describing it as "nothing extraordinary" in the hotel industry — particularly for a company that is young and thus does not have the advantage of the longer established hotel groups of a stock of hotels free of financial charges. Dubrule adds that FFr 700m should be added to the group's caupital and resources to take account of unrealised capital gains—but ones which were acknowledged during the auditing that preceded the Jacques Borel takeover.

The compensating factor for this still large volume of debt is that the group is building up a substantial portfolio of property assets, and that as the backlog of debt is paid off profits will be boosted by a decline in interest charges.

Net consolidated profits rose last year by 53 per cent to FFr 142m—still modest in relation to a turnover of FFr 9.8bn. But Accor has forecast under the five-year plan it presented in 1983 that turnover will rise by 8 per cent in real terms over the period and net profits by 12 per cent.

Nonetheless, Dubrule concedes that the group could not have expanded so fast without understanding shareholders. He says: "When we began we told our shareholders that they would not touch a dividend for five years and that they could not expect profits for five or six. In fact were were a year in advance on our programme." He adds: "In 18 years our share price has doubled every three years."

Accor has no plans for seeking a listing on a foreign Stock Exchange—though it does not rule out obtaining a separate quotation abroad for a subsidiary. But in seeking to make Accor better known in other financial centres its aim is to facilitate long term fund raising —last year it raised $40m in a convertible issue in London largely to finance its U.S. activities —and to broaden its share ownership. Dubrule and Pelisson hint that they might welcome a substantial acquisition—3 to 4 per cent of the stock—from a group who would then have a partnership role in the company ends.

BUSINESS PROBLEMS BY OUR LEGAL STAFF

Dispute over 'a place of business'

I am in dispute with the Department of Health and Social Security over what constitutes a "place of business" with respect to a company registered under the Companies' Act and its liability or not for class 1 National Insurance contributions for employees working overseas together with the employees' consequent eligibility to make such contributions. I have so far been unable to obtain any more detailed explanation of the matter than that contained in the DHSS's leaflet NI.132/June 82 where, after defining at the end of item 1 a place of business as being "a place from which a company can" (as distinct from "does") "as of right, conduct its business or from which its agent has power to conduct business on its behalf," it implies that, details apart, a more over-riding consideration is that "a business incorporated in Great Britain under the Companies Act will normally be regarded as a place of business in the UK."

The company in question operates in the Middle East and, in addition to its Kuwait office address, lists on its headed letter paper its London office complete with telephone number and telex and cable addresses. There is nearly always someone in attendance at this office (which is not however the office at which the company is in fact registered) but I am not familiar with the nature of any business conducted from there apart from personnel recruitment for the Middle East business.

The DHSS has stated that "where a company has been registered under the Companies Act it is usual for a place of business to exist at the address at which the company has been registered. However, in this particular case no business activities appeared to have been carried out at the address at which the company had been registered (which was not the office) and the extensive enquiries that were made by our HQ indicated that the office address could not be considered to be a place of husiness.

An enquiry to Companies House has revealed that registration under the Companies Act requires a company to do no more than periodically present certain trading information, etc.

We think that your argument that the company's office is a "place of business" for the purpose of the DHSS assessment of whether National Insurance Contributions are required to be paid has some considerable strength. It is correct that the phrase has not been defined in the relevant statute or statutory instruments, and that it seems not to have been the subject of judicial interpretation. The same phrase, however, occurring in Section 406 of the Companies Act 1948 has recently been considered in the Court of Appeal and answered in a sense which favours your view (see *South India Shipping Corporation Ltd v. Export-Import Bank of Korea* (1985) 1WLR 585). Here the judge at first instance took the view expressed by the DHSS, but was overruled by the Court of Appeal. It seems that you can now press this authority on the DHSS as strongly persuasive, even though not a decision on the Social Security Regulations themselves, and this is a more cogent argument since the DHSS has relied on the position under the Companies Act in its representations to you cite.

An employer's decision on an untied house

Twenty years ago, an employer of a professional man told him that he could do what he liked in his tied house as when he retired it would be his. Now, after spending a considerable sum on improvements, and prices have rocketed, the employer, who has sold his business (complete with employee) has decided to keep the house and wants him out in order to sell.

Has he any security of tenure, and can he claim for the improvements which will have increased the value?

It is possible that the employer has set up an estoppel which would prevent his recovering possession of the house during the employee's lifetime. The law on this subject is complex, and it would be wise to consult a solicitor.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post or soon as possible.

THE ARTS

Television/Godfrey Hodgson

Some things are too sacred for commerce

What is important in a week's television? It may be that the most significant thing that has happened this week is the resignation of Thames's Bryan Cowgill, forced, finessed or somehow exacted as a result of his decision to overbid the BBC for the rights to *Dallas*. "Not on," said the IBA, it seems. Breach of a gentlemen's agreement that networks, or companies, should not make competitive offers for the rights to foreign serials.

Odd: for if BBC and ITV are not in competition with one another, and if money is not the means with which that competition has been conducted these past 20 years, then I have understood nothing of what has been going on around me. What does the IBA understand by the phrase "commercial television"? The episode is characteristically murky.

It reminds me of the bizarre story of Rupert Murdoch's take-over of The Times and the Sunday Times. "None of our business," said the civil servants at the Department of Trade, of whether Mr Murdoch would be any better or worse than the other gentlemen who own newspapers; the only question for the law is whether or not greater concentration of ownership should be allowed. And so the owner of the two largest popular circulations was allowed to acquire the two most influential quality papers.

What is even more serious than the particular consequences of the strange, secret decisions by which our public life is so often regulated, is the fact that it is utterly impossible to get anyone to come clean about what, if any, principles were applied, by whom, and on what evidence.

Mr Cowgill, it seems, has overstepped some unspoken line, some unwritten gentlemen's agreement, which says that *Dallas*, because it delivers vast audiences to the BBC, must be sacrosanct. Ironic that *Dallas*, of all shows the one that most crassly glorifies the seamier side of provincial American business ethics, should be the ark of the covenant of that British ethic which says "Some things are to sacred for commerce."

Commerce, however, is in fashion. Where business was once thought to be too seamy a subject for television, and *The Money Programme* ploughed a lonely furrow as the only serious attempt to report the business world for general audiences, now there are half a dozen slots for business journalism of one sort or another.

BBC's latest contribution to this modish genre is called, with the whimsy considered *de rigeur* for such shocking genuflections before the temple of Mammon, *Commercial Breaks*. It got off to a cracking start with a documentary about the arrival of none other than that same Robert Maxwell in the seats of power at the Daily Mirror. It seems that the BBC had a documentary crew in place to make a film about Mr Maxwell's ill-fated predecessor at the Mirror Group, Mr Clive Thornton.

So we are there when Mr Thornton, in the very act of putting his proposals for sanity to the lads at Withy Grove, gets a message to call his office. It has gone out on PA that Maxwell has made an £80m bid, later raised to £114m.

It is as if the ruler of some small but half-civilised city on the fringe of the steppes receives a herald who tells him that the Khan is on his way, and that he and his horsemen mean to drink in his hall by nightfall. Fear is palpable. And suddenly the tartar king is within the gates.

We hear little more of Mr Thornton and his plans for the paper. And Mr Maxwell is at pains not to come on as the Demon King. We see him in the very throne room where, two days earlier, Mr Thornton was exposing his plans for the paper. Under his management, Mr Maxwell explains, ominously urbane, editors will be free to produce their newspapers without interference. There will be only two conditions: the papers must be "broadly sympathetic to the Labour movement;" and they must put Britain First.

The rest of the film was full of delicate comedy. We hear Mr Maxwell explain what he means by non-interference. Editors and columnists, be acknowledges, write at his dictation, and occasionally, he says, he writes the editorials himself. Meeting his staff, be literally whistles them to order like a shepherd with his dogs.

We watch like flies on the wall as Mr Maxwell plans to revolutionise Fleet Street by giving away a million pounds to some lucky reader, only to be beaten to it. A Central Casting Australian editor appears briefly and mutters happily through half-clenched teeth: "We'll kill him!"

It is magnificent light entertainment but it has little enough to do with journalism. Does it matter whether Mr Maxwell or some Australian bravo comes out on top in the circulation wars between these frenetic tabloids? Not a lot, you might say. Still, warts and all, The Mirror is the last significant paper in the country to support the Labour party. To some 35-40 per cent of the voters, at least, presumably, its ownership matters.

> Cowgill fell for taking commerce too far—but is business being taken far enough in the fashion for programmes on money and power?

Mr Maxwell explains that he is a socialist. The interviewer, after Mr Maxwell's exposition of his managerial philosophy, seems puzzled. Mr Maxwell tramples past him. "If you see a contrast," he trumpets, "it is of no concern to me." Quite. Magic moments and a great start for *Commercial Breaks*. It may seem pedantic to point out that nowhere in the film is there any *business* explanation of what is going on. Why is Sir Alex Jarratt of Reed International selling to Mr Maxwell? Can Mr Maxwell make the paper viable, and how? Does the Mirror's shareholding in Reuters have anything to do with the price of fish? None of these questions is answered, or even attempted.

It is all very well to present business as an arena where it is the drama and the personality of the players that count but if *Commercial Breaks* is going to work, the producers are going to have to explain to us what game is being played and how to keep the score.

Suddenly the industry and the Tory party are full of enthusiasts for American-style television. They ought to be honest and admit that documentary, one of the few art forms that was invented in America, is now almost extinct on network television in its country of origin. For all the constraints of money and politics in Britain, on the contrary, television offers a rich menu of documentaries of many kinds.

Thames's film on heroin addiction, for example, *Kicking the Habit*, was sympathetically and intelligently made. Although it showed painful sequences of a girl going through withdrawal, cramps, itching and all, it made the cardinal point that withdrawal is not impossible, only difficult, and that what makes it hard to kick the habit is the personal complex of fears, friendships, neuroses and inadequacy that made it a habit in the first place.

I wrote at length last week about the first three African episodes in Granada's *End of Empire*. It remains to be added that the last of all, which went out on Monday and dealt with the independence of Zimbabwe, is the best of all—a remarkable piece of television journalism with depth, balance and bite.

The interviews—for example with Christopher Soames, Peter Carrington, Ian Smith, Joshua Nkomo and Robert Mugabe—are all memorable. Samora Machel, the Marxist president of Mozambique, pouring forth his admiration for Margaret Thatcher, is a connoisseur's item; Machel saved the Lancaster House conference because he admired our prime minister's *machismo*, it seems.

Most remarkable of all are the two Shakespearian villains, Peter Walls, the commander of the Rhodesian security forces, a man who uses "anti-Marxist" as a synonym for "white supremacist," and—most intriguing of all—Ken Flowers, the head of Rhodesian intelligence from 1963 until the fall in 1982 and still, miraculously, a consultant to President Mugabe. Startlingly level-headed and devastatingly frank, he is unlike most spooks I have ever met. I couldn't help asking: what exactly was he telling British intelligence, and—more to the point—what were they telling him?

Aquarius/Goldsmith's Hall

David Murray

A City of London Festival concert on Monday by the Aquarius ensemble, sponsored by the Hill Samuel Group, had a promising programme—from Mozart to Robin Holloway by way of Spohr, Wagner and Dallapiccola, every piece for a different group of instruments. In the event it proved less of a banquet than it might have been; but at least the concluding work, Holloway's *Evening with Angels*, was as happy a revival as one had hoped.

Holloway's "song-cycle without texts for 16 players" draws its title from Wallace Stevens, but more specific inspiration from Tennyson. A Prologue and Epilogue enclose a pair of scherzos and a central Andante, all cogently linked; the instrumentation generates a wide spectrum of enticing sound, with bold use of some big brass and a special role for the celesta (glittering cadences like personal comments). By now I suppose that *Evening with Angels* counts as "early" Holloway, but its elegant proportions and incisive lyrical style are utterly assured. Holloway's bemusing taste for not-quite-parody had not surfaced yet—there is no puzzle about how to "take" *Evening with Angels*.

The conductor Nicholas Cleobury sounded convinced and sympathetic, and hazards of balance were dealt with nicely. He had less luck with the opening work, Wagner's *Siegfried Idyll*, which was not only uncharacteristically languid but woozy with doubtful pitch—something which recurred uncomfortably in most of the other music. A particular pity, though, in the *Idyll*, which is usually such a pleasure to hear in this original chamber version.

The string quartet who essayed Mozart's *Eine Kleine Nachtmusik* were ill-advised. They offered less brio in the piece than your average mooz synthesiser, and when pitch-problems extend to the tuning of thirds and fifths there are problems indeed. Dallapiccola's piece of (so to speak) the same name, the *Piccola Musica Notturno*, was safer and quite pretty. Louis Spohr's evergreen Nonet had its heart in the right place, but it was slightly, consistently under tempo: I thought that a conductor—Mr Cleobury had modestly left the players to themselves—might have made all the difference.

You're Gonna Love Tomorrow

Martin Hoyle

"Please don't fart — there's very little air and this is art." No, not a programme note in the Barbican's Pit, but one of the instructions to the audience penned by Stephen Sondheim for Burt Shevelove's adaptation of *The Frogs*, performed in Yale swimming pool (where else?) in 1974.

This follows the Invocation to the gods — "those who look down on actors — and who doesn't?" — intended for *A Funny Thing Happened On the Way to the Forum* before ending up in Ivy League Aristophanes. For an unconvinced Sondheimite like myself, the serendipitous discovery of much first-rate lesser-known material provided the greatest pleasure of *You're Gonna Love Tomorrow*, brought to D'Oyly Carte's English Opera House (to the vulgar, the Palace Theatre) on Sunday for one night only.

Four graduates fresh from the Guildford School of Acting and Dance exuded charm and assurance as they ranged from the unperformed (why, for heaven's sake? Sondheim even wrote *tunes* in it) *Saturday Night* of 1954 to *Sweeney Todd* and *Merrily We Roll Along*.

A well-judged selection underlined the wit and neatness of Sondheim's lyrics while playing down his tendency to pseudo-urgent declamation, ominous or threatening, in a minor key; though that portentous surging that never quite hits its melodic stride was represented by a duet from *Anyone Can Whistle* (no wonder it flopped) and "Johanna" from *Sweeney Todd*. Occasional shaky pitch in the big numbers reminded us of his ungrateful vocal demands; and "Someone in a tree," the quartet of past and present, story-teller, characters and memories, from *Pacific Overtures* emphasises how aridly unrewarding Sondheim's strenuous sub-operatice vein can be.

However, huge pleasure derives from the hopeful quartet for two young couples in *Follies* and three discarded numbers from *A Funny Thing*. The *Saturday Night* excerpts are unmitigated delight—here Briony Glassco, a tall Canadian girl with smiling vitality, made the most of "Isn't it?," a number both shy and gushing sung by a nervous belle at a social dance. The very anglicised-sounding American Jane Anderson delivered the maid's philosophy of life and love so as to confirm my suspicion that the perfectly-chiselled lyrics and music of "The Miller's Son" make it the best song from *A Little Night Music*.

The evening-dress-clad quartet was completed by Cory Peterson (American) and James Dundas (British) in a simple presentation (John Doyle) that extended to a prop tree and fans for the Japanese excerpts. John Langridge's musical direction from the keyboards contributed to the considerable enjoyment.

The Dillen; Mary, After The Queen/Stratford-upon-Avon

Michael Coveney

The Royal Shakespeare Company in Stratford-upon-Avon is required by charter to pay annual tribute to the town's most famous son. Two years ago, Barry Kyle and an RSC group of actors created a remarkable promenade performance through the town, on the river bank from Southern Lane down beyond the grain silo, of *The Dillen*, a piece based on Angela Hewins's fascinating book in celebration of her grandfather by marriage, George Hewins.

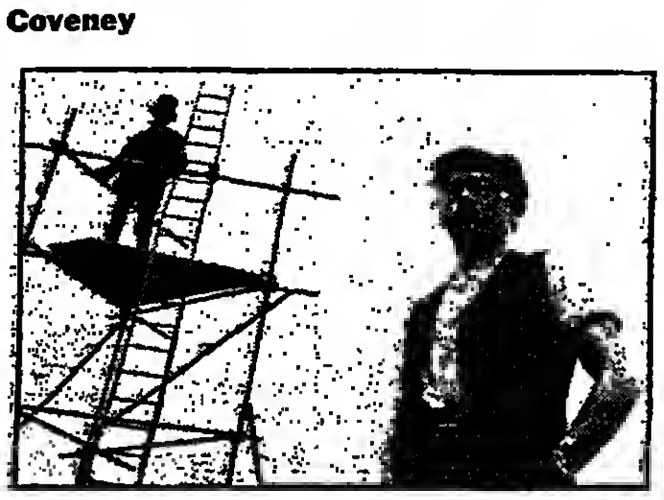
Starting in The Other Place (Stratford's small theatre) and spilling out through the theatre gardens, along the river bank to Lucy's Mill and the old LMS bridge, *The Dillen* creates a picture of Victorian/Edwardian social history in a provincial market town from 1897, the year of Hewins's birth and, coincidentally, of the opening of the Memorial Theatre, sponsored by the then mayor Charles Flower and designed to provide a little Avonside "tone," through to his return home from the Great War, badly wounded and severely disillusioned.

This Dillen is now revived, Ron Cook repeating his beautiful, chipper performance as the little working-class Stratfordian ("dillen" means a runtish, loveable creature) and paired with a new production, *Mary After The Queen*, presented under the Other Place auspices in the old Whitbread Flowers Warehouse out on the Birmingham Road, 10 minutes jog from the town centre.

Mary, it must be said, has had its problems, with last minute switches of venue and the newly astringent application of fire regulations (quite right, too, after Bradford) enforcing a seated audience rather than Mr Kyle's preferred promenade set-up. The show, again adapted from Mrs Hewins by Ron Hutchinson, and drawn from her recently published book, reduces George to a crotchety background figure in the story of his eighth child's (Mary) career as a working girl in the Aluminium Factory on this very Birmingham Road, in the bottling end of the Flowers brewery and then, during the Second War, in the Canning Factory.

The tale is told in the twin perspective of actual re-enactment and the limpid recollections of Mary as an older woman, a role taken with touching and noble deftness by Peggy Mount. The show is best when coming across as a sort of Warwickshire Cavalcade, the hordes of local amateurs streaming through the Warehouse as bottling girls, factory workers on an outing to Blackpool (a beach ballet to the tune of "Lullaby of Broadway") or revellers at the annual Mop Fair. At other times it is a bit like watching the Royal Tournament at Earls Court, with hymns and flags and random patriotism underpinning Mary's loss of her wartime true love and the raising of her child, Brian.

In spite of its spirited performance and the excellent musical direction of Michael Tubbs (the score for both shows is restrained and scored by Guy Woolfenden), *Mary* is lacking in a central focus and is replete with uninteresting longeurs. Jenifer Landor as the young Mary is simply unconvincing as a country girl—her natural elegance and beauty conspire against her at once. Notable in a large cast are yet another Cusack, Niamh (Desdemona, later this season) as



Alastair Muir

David Bradley (left) and Ron Cook in "The Dillen"

Mary's disintegrating sister; Jan Talbot as a "Workers Playtime" light-footed cheerleader; and Susan Colverd as George's long-suffering wife. Allan Watkin's splendid costumes and Wayne Dowdeswell's lighting are major contributions.

The real value of *Mary*, as with the far superior *Dillen*, is that the RSC makes good, in theatrical fashion, its affection for Stratford. One hopes some wheels of reciprocity have at last, and not before time, been set in motion. Young George was brought up by his great Uncle Cal (exploiting the more familiar, no less enjoyable, formidable side of Miss Mount) in a Waterside lodging house. In *The Dillen* we follow, on location as it were, his schooling, various apprenticeships and even a fictional brush with Frank Benson as a gravedigger on the Memorial stage (his wife, too, was briefly employed as a dresser).

The Dillen is a superbly organised presentation, full of unforgettable images: the glimpse from the bridge across the river of a field full of summer pea-pickers, worthy of Millais; the vaudevillian treatment of poverty and hardship on a stage that has appeared out of nowhere; the magic lantern, chiaroscuro conjuring of hideous trench warfare, the audience huddled under a confining tarpaulin tent; the final, emotional torchlit trudge through the old town, audience and company joined in a tribute by the war memorial to Stratfordians who gave their lives.

The Dillen is a marvellous company achievement (only 12 more performances this season) but the attempt to extend the project in the manner of the National's Mysteries has not come off. The juice and joy of *The Dillen* is replaced, in *Mary*, with a rather dutiful slog through his daughter's life enlivened only by the occasional drilled set-piece.

Alcina/Spitalfields

Richard Fairman

Handel's *Alcina* has been among the more fortunate of his operas. In the early 1960s it had a wider currency than any other, as a vehicle for the then rising Joan Sutherland; and now The Opera Stage, a new company formed under the musical directorship of Richard Hickox, is planning to take this new production first from Christchurch, Spitalfields to the Cheltenham Festival and then into the recording studio.

Those who buy the records will be getting the best of it. As with so many current Handel productions, the visual side of this one was a penance. For unfathomable reasons the opera was set on a beach where the tide had washed up assorted flotsam and jetsam, including three angels, a warrior, a harlequin (who balanced a feather on his nose) and numerous busts and picture frames—everything except a copy of Handel's stage directions to find out what was going on.

The American producer, Frank Corsaro, is not good at telling a story. While all these sundry extra characters were romping around, crucial turning-points of the plot went without notice. (I wonder how many people registered the moment when Ruggero takes the magic ring and returns to his senses?) And much of the stage business cannot have helped the soloists: Della Jones had to sing several of her arias peering into upright mirrors and in the early stages Arleen Auger seemed fated to spend her music in slow motion groping with other members of the cast.

Left to her own devices, however, Auger was a stunning Alcina. Stock Italian gestures do not matter one whit if the singer can put across the drama as forcefully as this. She is not the Sutherland of the 1960s (a dazzling coloratura) but a more wide-ranging artist, all soft-grained sensual appeal at first leading to the coruscating fury of later scenes.

From Della Jones, too, we had an exciting performance. After her singing in *Julius Caesar*, one expects the biting consonants, the raging anger and attack, but this opera brought something more: in "Mi lusinga il dolce affetto," her most inward aria, she held the audience on a barely audible thread of tone, no easy thing at the speed Hickox had set for her. It was the best singing I have heard from her for some time.

Not all the cast are so fortunate in their roles. The opera, for all its great scenes, is not without some uninspired moments and with so many arias to be delivered it can threaten to seem a very long evening. (The second part alone here lasted almost two and a half hours.) Mezzo Mira Zakai might have given her best pieces a little more flamboyance; and Patricia Kwella's pure-toned Oberto sounded hard-pressed in her last stormy aria.

In one departure from tradition the Morgana, Eiddwen Harrhy, sang "Tornami a vagheggiar," the dazzling showpiece at the end of the first act which most Alcinas take for themselves. It seems this was Handel's original intention and the substitution certainly makes good dramatic sense. Otherwise Richard Hickox and the City of London Baroque Sinfonia gave us the 1735 score (almost) absolutely complete. This was first-rate Handel, sometimes on the slow side but always concentrated, well worth being committed to vinyl.

Dirty Work, Gangsters

B. A. Young

South Africa's contribution to LIFT consists of two one-act pieces by Maishe Maponya, played by the Bahumutsi Theatre Company of Johannesburg, in the Lyric Studio, Hammersmith.

The first of them is a comic picture of a South African security man lecturing an audience on security. His own security worries him all the time. He checks the flower vase, the furniture, the blackboard, the sandbags which he is going to use for a demonstration.

One of the characteristics of unhappy people is their ability to joke about their unhappiness, and *Dirty Work* is full of good jokes, though some of them are repeated rather too often. Marcel van Heerden plays the lecturer, ready to draw his gun at a moment's notice but, as long as he is not interrupted, to fill his talk with the names of his relations who can supply any security materials that he recommends. The South African accent is as useful for fun as we find the Cockney and (consciously or not) he makes the most of it.

Gangsters, the second piece, is very different. On one side of the stage, a figure in black drapes hangs from a wooden cross. On the other side begins the interrogation of the black poet Rasechaba at the hands of Maj Whitebeard, with the help of his Uncle Tom assistant, Jonathan.

Rasechaba's offence is to read poetry to crowds, for the state has decided that his poetry is "inflammatory." "Why can't you read poems like this?" asks the Major, reciting some Afrikaans verses about flowers. Poems about flowers are not in Rasechaba's line, however, and the interrogation becomes increasingly violent.

As the brutality increases, we see the Major and Jonathan dealing with the draped figure on the cross to ensure that as little as possible will be useable as evidence in court. One thing cannot be concealed, however—the poet's death.

The case of Steve Biko lies at the back of it all, though Rasechaba is a more flamboyant figure. He is played by the author, who recites the poems, his own poems, in an undoubtedly inflammatory voice, though only a tithe of the meaning reached me across the linguistic barrier. Marcel van Heerden is the Major, and George Lomola is Jonathan, always ready to please. Maishe Maponya himself directs, earning himself a paragraph in the Guinness Book as the first black man ever to direct a white actor in South Africa.

Saleroom/Antony Thorncroft

An Egyptian bronze figure of a seated cat, 7½ inches high, dated to the 5th century BC and sent for auction by Lady Clark, sold for £43,200 at Christie's antiquities sale yesterday. The price was double the top forecast and the buyer was a private collector bidding by telephone.

A rare Romano British solid bronze figure of a standing stag, made in southern England in the first century BC, also did very well at £30,240 while an Egyptian diorite figure of a seated official realised £15,120. A turquoise glazed composition model of a hippopotamus and its cub, from an Egyptian tomb of around 1800 BC, sold for £12,960, rather below expectation.

The Armoury, a London dealer, paid £6,734 at Christie's coins and medal auction for a group of four reduced size stars, including the orders of the Thistle and St Patrick. They had belonged at one time to King George V, and were made one-third smaller than the usual size to accommodate all the other awards the King would wear on ceremonial occasions. A group of four medals awarded to Dr Wordsworth Poole, who served at Peking during the Boxer rebellion, fetched £7,344.

Sotheby's top price yesterday was the £19,800 for a pair of almost cylindrical Jardinières, Yongzheng, in an auction of Chinese export porcelain. Among the printed books Quaritch paid £7,130 for the Echternach Gospels, produced in Germany in 1982, while among the contents of Sissinghurst Court in Kent a set of six George III mahogany chairs, 1765, sold for £16,500.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

July 12–July 18

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 8834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable merging of a musical. (834 1317, credit cards 828 4735).

Waste (Lyric): Deserved transfer to Shaftesbury Avenue for the RSC's fine Harley Granville play about a politician ruined by sex scandal. Daniel Massey and Judi Dench head John Barton's production. (437 3686).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's touching and funny recollections as a drag queen add up to the best histrionic Sarah Bernhardt role on Broadway today. (944 9450).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

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The aims of Eureka

EUREKA, the French initiative to encourage European industry to pep up its high technology, has already achieved one important objective: ministers from western European countries who will consider the scheme in Paris today and tomorrow, know that Eureka has given a new urgency to the public discussion of European technological failings. A political momentum has been created, which—provided that it is channelled in the right directions—could be beneficial for European industry.

Since the French sprang the Eureka concept upon the world in April it has undergone a welcome mutation. What to sceptical British and German eyes looked like a plan to create an international agency, a civilian version of the U.S. defence department, to hand out money to industry has begun to look a good deal more market orientated, even though the mechanics are by no means clear. It would be helpful if the Paris meeting could begin to define these good intentions in practical terms.

What distinguishes Eureka from some other Collaborative European ventures into high technologies, such as Esprit or the Cern nuclear fusion laboratory, is that it is focused on the development and eventually the manufacture of marketable products. Behind this there lies the perception that the Europeans have held their own in research, but have often failed to turn the results into successfully marketed products. That diagnosis is well founded, but the cure will not be achieved by throwing money at the problem.

Resources

Available statistics do not bear out the belief that the Europeans are not devoting sufficient resources to research and development. According to Mr Henry Ergas of the OECD, speaking at a recent Financial Times conference, the EEC countries spend only slightly less than the U.S. and considerably more than Japan on research and development in high-technology industries. Moreover government subsidies to high-technology R and D in the EEC are about level with those in the U.S. and surpass those in Japan by a factor of ten.

The problem is that the return on the investment in R and D, in terms of increased share of world trade in high technology products, is inadequate. Is this because there is too much duplication? This seems to be the thinking behind the Esprit programme of pre-competitive research and behind Eureka. The idea is that by pooling effort and resources the Europeans could achive their objective—internationally competitive high-technology products—more swiftly and more cheaply. Yet there is a danger that too much priority is being attached to collaboration, just as in the past there was too much emphasis on large-scale mergers as the route to competitiveness.

It would be very desirable if the inhibitions and practical obstacles which discourage joint ventures between European high-technology companies were reduced; this could be a useful consequence of Eureka. But lack of collaboration across frontiers does not explain Europe's technological weakness.

Mr Ergas argued in his speech that the innovative performance of a country or region depended on three factors: the strength of domestic and accessible export demand for innovative products; the adequacy of the technical infrastructure, in terms of the supply of scientists and engineers; and the responsiveness of industry to the opportunities arising from demand on the one hand and from new technologies on the other. This last factor is crucially affected by the strength of the competition to which high-technology companies are exposed.

The first and last of these points relate very directly to the biggest single problem facing Europe's high-technology industries—the fragmentation of the European market. The British Government would like to use Eureka as one of the levers with which to open up the internal market for high technology products. It is, of course, much more than that in the eyes of its principal proponents and it would be most unwise to ignore the political dimension. But as ministers start to translate the Eureka idea into practical reality, they need to keep very clearly in mind the true nature of Europe's high-technology problem.

A strategy for deregulation

THE British Government's wish to reduce the burdens imposed on business by administrative and legislative regulation is soundly based. There is clear evidence from the U.S. that President Reagan's deregulation strategy has stimulated economic activity, with the number of new businesses in recently deregulated industries growing faster than in the overall economy. Measures taken in the first two years of his administration led to once-off savings of $9bn-11bn, and annual savings of about $6bn in costs to government and business.

Yesterday's White Paper, Lifting the Burden, recognises that there is a fine line between liberty and licence, and that changes intended to bring about business growth can also lead to abuses. But it argues convincingly that the scales are still tipped too far against business in the UK, with adverse consequences for output and employment. Some regulations carry little relevance to the modern business world; others are far too complex and confusing.

The White Paper has deliberately steered clear of the more contentious items of regulation. It does not, for instance, touch the green belt, and although it expresses the wistful belief that a measure of deregulation for new lettings in the private rented housing sector would promote enterprise "in a number of ways," it admits that this game is lost for the lifetime of the present parliament. All its proposals, of which there are a large number, can either be achieved without primary legislation, or else by legislation which can be fitted into the Government's present timetable.

Probably the most important ideas are in the general area of planning. In particular, the Government intends to permit the setting up of what it calls Simplified Planning Zones, which will extend to other areas the type of planning regime already established in Enterprise Zones. It also has some sensible ideas to allow specified types of development to take place without the need to apply for planning permission, and to permit certain classes of land and buildings to be used for various purposes without the need for such permission.

For the most part, though, the White Paper deals with regulations which are quite modest in themselves but which taken as a whole tend to sap the energy of business. Although some of the proposals may prova unacceptable when the fine print emerges, the overall aim should be broadly welcomed.

The big question is about how these bright ideas will be implemented. The objective is to stem the flow of new regulations, by subjecting them to a critical assessment of their impact on enterprise, and to undertake regular studies of existing requirements. The main responsibility for this exercise will lie with the relevant Government departments, which will have to nominate officials with special responsibility for this work, reporting to a minister.

Task force

To goad them into action, a small central unit, which will include outsiders as well as civil servants, will be set up as part of the Cabinet Office under Lord Young. It will audit the work of departments, and also undertake occasional studies itself.

The concept of such a task force (the name used in the White Paper) will no doubt be welcomed with open arms around Whitehall. There is a precedent for effective action being undertaken by such a ginger group, in the shape of Lord Rayner's efficiency unit. But Lord Young, unlike Lord Rayner, is a Cabinet minister—a fact which could make the turf battles more intense.

Two features of the programme should be a positive help in this respect. One is that yesterday's White Paper is seen very much as a first chapter in a longer book. Progress—or the lack of it—will be highlighted in a series of future White Papers, which should in part serve the role of an end of term report. In addition, the life of the task force is to be reviewed after three years, which reduces the threat of a new bureaucratic system being put into place.

All the same, the deregulation effort is going to need the active support of the Prime Minister if it is to achieve worthwhile goals.

BRITAIN'S JOB PROSPECTS

Martyn Barnes

The high tide of unemployment

By Michael Prowse

EMPLOYMENT statistics out today for the first quarter of 1985 should prompt a familiar question: after five years of steady if unspectacular economic growth, is the unemployment tide beginning to turn?

Last month's tiny 7,400 drop in seasonally-adjusted unemployment was enough to whet the appetites of natural optimists. Ministers hailed the figures as the most encouraging for five years. Pessimists pointed out that if the rate of decline does not speed up, it will take 21 years to restore dole queues even to 1979 proportions.

Such gloomy arithmetical projections reflect the severity of British unemployment. On average, nearly one in seven of the working population is without a job—that is 3.17m adults, an unemployment rate of 13.1 per cent. A further 587,000 people are on government job schemes. In Europe, only Belgium and Spain suffer higher unemployment.

The high overall total, however, masks important variations in the incidence of unemployment—by sex, age, region and duration. It is not always remembered, for example, that male unemployment at 15.8 per cent is much more severe than female unemployment, which is only 9.5 per cent.

Nor is the extent to which the brunt of unemployment is borne by the young always appreciated. The latest figures by age are for January: they show that unemployment averages 24 per cent for 16 and 17-year-olds, 26 per cent for 18, and 19-year-olds and 20.5 per cent for those aged 20 to 24. By contrast, unemployment is only 12 per cent among 30 to 34-year-olds and 9 per cent for those aged 35 to 55.

Unemployment among young men is even more severe, averaging 29 per cent for 18 to 19-year-olds: it is worrying that nearly one in three in this age range, which is beyond the reach even of an expanded Youth Training Scheme, are jobless.

Regional variations in unemployment are equally marked. Even in tha seemingly prosperous South East, the unemployment rate is only a whisker under 10 per cent. Elsewhere, the figures are mnch gloomier: in Northern Ireland one in five are without work; in Wales, Scotland and the north and north-west of England, the figure is one in six or worse.

Meanwhile, the duration of unemployment is rising—an ominous reflection of the persistence of the phenomenon. In April, 1.3m people had been unemployed more than a year, 110,000 more than in April 1984. There was a 37 per cent increase to 458,000 in those continuously unemployed for more than three years. In the West Midlands, 19 per cent of the unemployed have been jobless for more than three years.

Unemployment has risen steeply in the past six years. In 1979, it averaged only 5.3 per cent or 1.3m people. The ultimate causes of the deterioration can be debated endlessly, but some light can be shed on the proximate determinants of unemployment. The key point is that nothing as such determines unemployment because it is a *residual* — the gap between the supply of labour, as measured by the working population, and the demand for it, as measured by the employed labour force.

The working population, in turn, depends on two things: the number of people of working age, which is determined by demographic factors such as past birth rates; and labour participation rates—the proportion of people who actively seek work.

On the demand side the employed labour force comprises employees, the self-employed and the relatively small number in the armed forces.

Two dates are pivotal to understanding the evolution of unemployment in the UK: the last quarter of 1979 when employment peaked and the first quarter of 1983, when it reached its trough (see chart). Broadly what happened was as follows.

In the first phase from December 1979 to March 1983, the working population declined slightly (by about 50,000) and employment plunged by 1.93m. The result was a surge in unemployment to 3.06m.

In the second phase, from March 1983 employment has grown by about 88,000 a quarter yet has failed to keep pace with even more rapid growth of the working population. The result has been a further, much smaller, rise in unemployment of about 110,000.

If today's first quarter employment figures confirm the trend of previous quarters, the Government will be able to claim that about 700,000 net new jobs have been created since March 1983. Yet even though more than a third of the jobs lost in the shakeout up to March 1983 has been replaced, the expanding supply of labour has pushed unemployment higher.

The evolution of both the supply and demand side of the jobs market since 1979 has been more complex, however, than this simple summary suggests. Contrary to popular wisdom, it has been changes in labour participation rates rather than demographic factors which have explained fluctuations in the working population.

> Manufacturing employment in the UK is now little more than a rump, accounting for only 26 per cent of all jobs

The number of people of working age has been rising steadily since 1974. The small fall in the working population between 1979 and 1983 reflected a sharp fall in male participation rates or the "discouraged worker" effect: men withdrew from the labour market, for example, through early retirement.

The sharp increase in the working population since March 1983 in turn reflects not faster growth in the number of people of working age, but a sudden rise in female participation rates—a resumption of the secular growth of women seeking employment.

A prime difficulty in forecasting future unemployment lies in evaluating the scope for further increase in female participation rates. Since the proportion of women seeking work is still only about 48 per cent—well below, say, Scandinavian rates—there is plenty of room for further expansion.

The employment figures need to be broken down in several ways if the fluctations of the past six years are to be understood. The first division required is between employees and the self employed.

The sharp decline and partial recovery of employment reflects the experience only of employees: self employment has grown regardless of recession or recovery by a surprising 34 per cent since 1979.

Almost one in ten of the working population — 2.6m people—are now self employed. The growth of self employment may partially reflect the reduced security of employees.

It is illuminating to divide employees into three overlapping categories: manufacturing and non-manufacturing; male and female; and full- and part-time. The collapse of employment between December 1979 and March 1983 was overwhelmingly a shake-out in manufacturing. Between these dates, 1.494m manufacturing jobs were lost (21 per cent) compared with a loss of only 341,000 jobs in services (2.6 per cent).

The employment recovery since March 1983 has been wholly outside manufacturing. By December 1984, service employment had risen 509,000 (3.9 per cent) from the trough. Today's figures will doubtless show a further rise in the first quarter. Manufacturing employment, by contrast, has still to bottom out decisively: by April 1985 it was down a further 202,000 from March 1983.

Manufacturing employment in the UK is now little more than a rump: it accounts for only 26 per cent of all jobs. This compares with 20 per cent in the U.S. and 32 per cent in West Germany.

The decline of manufacturing relative to services explains some of tha regional unemployment differentials. In June 1979, service employment in the West Midlands was only 48 per cent of the total compared with 67 per cent in the South East. Total employment has since fallen about 14 per cent in the West Midlands compared with only 3.5 per cent in the South East.

However, the outlying regions have suffered not only from a higher initial concentration of manufacturing jobs but also from a steeper decline of manufacturing. In the South East, for example, manufacturing employment has fallen by about 17 per cent; in Wales the decline (up to September 1984) was 33½ per cent.

The shake-out in manufacturing is also, of course, the main reason why more men than women are jobless: 55 per cent of service jobs are taken by women compared with only 29 per cent in manufacturing. By December 1984, the number of female employees had risen by 404,000 from the 1983 trough. Male employment, by contrast, has fallen every quarter except the fourth in 1984 and by a total of 162,000 since March 1983.

Unfortunately, the growth of female and of service-sector employment is not all it seems. It is part-time rather than full-time female employment which has been expanding: about 90 per cent of the growth of female labour since the March 1983 trough has been in part-time work.

In summary then, the 88,000 average quarterly rise in the employed labour force since March 1983 has been insufficient to keep pace with the 97,000 average quarterly rise in the working population. The average quarterly gain in employment (see chart) breaks down into a 50,000 rise in self employment, a 58,000 rise in female employment (of which 52,000 is part-time) and a 20,000 drop in male employment.

What is the prognosis for unemployment? On the supply side, demographic factors are looking more favourable. The growth in the number of people of working age will slow over the next three years and a small absolute decline is expected after 1989. By 1993, the number of 16 and 17-year-olds will have fallen by nearly 30 per cent from the present level of 1½m.

Against this, female participation rates remain uncertain. However, if the Government does (as planned) introduce personal tax allowances which are transferable between spouses in 1990, married women's incentiva to seek employment will be sharply reduced.

On the demand side, there are also one or two crumbs of comfort. The expansion of YTS and the Community Programme will pull increasing numbers out of registered employment this year and next. The Chancellor's restructuring of employers' national insurance contributions in the Budget may also help a little.

It is often argued that increased demand for labour will be concentrated, if anywhere, in the small business sector. So yesterday's launch of Lord Young's jobs "task force" designed to reduce the red tape enveloping small firms may help at the margin.

Perhaps more significant, the Chancellor's recent little noticed remark that from now on North Sea oil will contribute —½ per cent instead of +½ per cent to GDP growth may be an encouraging pointer. If the manufacturing shake-out partly reflected the rapid expansion of oil output, the decline of the North Sea may, despite the present surge in the pound, now bring some relief through a lower exchange rate.

The service sector, which did not experience a severe recession, should continue to generate new jobs even if too many of them are part-time positions for married women.

Ministers and officials seem cautiously confident that this combination of supply and demand factors will prevent a further significant rise in unemployment—always assuming the UK does not slip into another recession. But they are not expecting anything better than a very modest contraction of dole queues in the foreseeable future.

Men and Matters

Lazards trawls city talent

Lazard Brothers and its new chairman, Sir John Nott, should be proud of their pulling power if the results of their latest trawl through the City is anything to go by.

In three appointments announced yesterday, the merchant bank has secured the services of senior people from Chase Manhattan, Citicorp and Barclays Merchant Bank, to beef up its securities and corporate finance business.

Stuart Webb, 45, the chief executive of Chase Investors Management, is to take over the top job at Lazards Securities, the investment management subsidiary which controls about £3bn. He fills the slot vacated by Michael Benson who was recently hired away by Standard Chartered Bank.

He told me yesterday he intends to build up Lazards' international investment management business by linking up with the Lazards houses in New York and Paris.

Michael Bottenheim, 37, who runs Citicorp's European mergers and acquisitions business, comes over to expand Lazards' international corporate finance side, specialising in cross-border mergers.

The greatest stir, though, may be caused by Lazards securing Nigel Turner, the 36-year-old head of the corporate services division at Barclays Merchant Bank. His move marks the latest in what must be a painful string of departures from the group which Barclays is putting together for the City revolution.

Turner is to be an executive director at Lazards where he will specialise in corporate finance. His appointment also resumes a family connection with the bank. His brother Lord Netherthorpe was a director until he was killed in a car accident in 1981.

"One minute you are a lackey of a reactionary capitalist government—next you're a hero of the GLC"

Scottish stake

Bernard Solomons, managing director of Scottish stockbrokers Parsons and Co. was smiling in the City of London yesterday having completed a deal which ha says will guarantee his firm's independence north of the border.

Solomons was meeting Peter Quinnen, a director of City stockbrokers James Capel, and Clive Gilchrist, investment manager of PosTel, which manages the British Telecom and Post Office £10bn staff pension funds.

Solomons talked about the new agreement by which Capel and PosTel each takes 20 per cent of the ordinary share capital of Parsons. "We have seen a lot of people," said Solomons, "and been approached by a lot of people, but we didn't want to have a complete buy-out. This arrangement retains our independence and also gives us access to some of the best research facilities in the City of London."

Capel was named last week as top research broker in the Extel annual survey of investment analysts. The know-how of its team will be available to Parsons and its clients.

Parsons, based in Glasgow, but with outposts in Edinburgh, Aberdeen and other main Scottish centres, is one of Scotland's biggest and oldest broking firms. The majority of its private clients are based north of the border, but its institutional activities range much wider.

On expenses

The Lord Chief Justice of England is a figure held in suitable awe by his countrymen. And the sonorous introduction to Lord Lane given yesterday by John C Shepherd, president of the American Bar Association, at a lunch in London, suggested that a Very Important Person was about to take the stand.

But Lord Lane preferred cracking jokes to making grave pronouncements.

A distant predecessor in his job, one Oddo, be recalled, was popularly known as "the bastard."

In the largest of the cells beneath his court in the Strand a graffito still exists which runs "I was going to be the Lord Chief Justice until they discovered my mother was married."

With that Lord Lane concluded what he called the serious part of his speech.

"I knew that if I didn't say something serious your visit here would not be tax deductible." he told the assembled attornays.

Book keeping

My item about the value of original sixpenny Penguins in this 50th anniversary year set a lot of people searching their attics to judge by the number of phone calls since. Nobody had a complete set of the first 10 (worth £1,000) but many wanted to know the value of their other paperback treasures.

Back to Graham Baird of Sotheby's. He says people shouldn't get too excited. "Penguins are in a special class of their own. You really can't put a price on paperbacks." He does, however, mention a batch of Italian and French Penguins which were smugglad into those two beleagured nations during the war—and could be valuable

But hardbacks still dominate the market in modern first editions. One of the jewels in the collector's crown would be a mint condition copy of John Le Carre's first novel, Call For The Dead, complete with dust jacket. It would fetch between £400 and £500.

Advice to anyone embarking on the business of collecting modern first editions is not to let the dust jacket deteriorate.

But it is a fallacy to think that getting a simple signature by an author at a bookshop session necessarily boosts its value. They say that the valuable copies of the works of former premiera Ted Heath and Harold Wilson are the ones that wera not signed.

Paper work

Rating the performances of chancellors of the Exchequer is never an easy business. David Evans, the ebullient Tory chairman of the cleaning company Brengreen, has his own novel suggestion.

"From the contents of the Chancellor's waste paper basket in his office in the Treasury I would say tha most active would appear to have been Denis Healey, with Nigel Lawson a close second, and Geoffrey Howa third."

Evans, whose company has been emptying the Chancellor's waste paper basket for 10 years, adds "sometimes occupants of the chair appear to have passed day after day without leaving as much as a paper handkerchief."

Brengreen is careful to point out that the basket only contains waste paper. The good stuff is shredded.

Observer

The Common Agricultural Policy

Another attempt to square the circle

By Ivo Dawnay in Brussels

Karl-Heinz Narjes (left) and Frans Andriessen.

THINGS DID not bode well for Mr Frans Andriessen, the EEC's Farm Commissioner, as be entered the lion's den of the Agriculture Council yesterday.

His unenviable task was to present his new discussion document on the future of the Common Agricultural Policy which calls for big and sustained reductions in product prices.

The ten ministers on the other hand, looked set to complete their ninth unsuccessful session attempting to agree a tiny 1.8 per cent cut in cereals prices—an action equivalent, as one observer put it, to treating a broken leg with an aspirin.

That the CAP must be reformed is an accepted Community fact, as broadly if reluctantly acknowledged as the need for a free internal market or car exhaust emission controls.

What sets it apart from other issues is its urgency. While many member states can, albeit unhappily, survive a year or two more with irksome frontier formalities or dying forests, the CAP budget figures no longer add up. After laborious negotiations member states have now agreed to increase their contributions to the EEC budget from 1 per cent of VAT receipts to 1.4 per cent. This was justified as being needed to cover the costs of the Community's enlargement but all of it could now be used up in farm expenditure.

The need for action stems from both internal and world market pressures. At home, production surpluses continue to rise, yet the new budgetary discipline rules have in effect, frozen cash resources available for 1985-86 to Ecu 20.69bn (£12.4bn).

Furthermore, the entry of Spain and Portugal into the Community next year will add to demand on a finite quantity

What sets it apart from other issues is it urgency

of support funds. Yet supply of farm products continues to rise by 1.5 to 2 per cent annually to meet demand increasing by only 0.5 per cent.

More critical still is the state of the world markets. As Mr William Pearce of grains trader Cargill told a Brussels cereals conference last month: "There are simply more resources in farm production today than the markets will support at current prices. Efforts to deal with producer-income problems by supporting prices for their product are feeding the supply problem."

The prospects for a crash in prices—some predict 25 per cent for cereals—in the world market are increased by the forecasts of another bumper harvest and, in the longer term through greater output from new exporters and traditional large importers in the developing world.

But even without these new sources, the outlook for the Community appears grim. Tha decline in the value of the dollar—the world currency for grains deals—means Community export subsidies must rise to bridge the gap between its high internal prices and the lower prices abroad.

At the same time, the U.S. has adopted a more aggressive trading policy, while its Farm Bill, currently passing through Congress, promises to bring market forces to bear on domestic producers which will filter through in lower world prices as U.S. farmers chase markets.

In this context, Mr Andriessen can be forgiven for playing Cassandra. But his Green Paper, Perspectives for the CAP, is equally certain of a rough reception.

Unlike its three predecessors, this latest attempt to square the CAP circle is a brave effort to face the problems bead on.

Its essential thesis is that rises in farm incomes achieved by the traditional method of increases in guaranteed prices, together with open-ended commitments to buy up all surplus products "can no longer be reconciled with economic and financial realities."

The paper therefore proposes:

● The reorientation of cash resources away from price support to direct income aids for the poorest farmers, leaving the larger producers to earn their profits through economies of scale.

● An end to the system of open-ended price support guarantees, with the producers themselves taking some responsibility for the financiog of the cost of export subsidies and the possibility of setting limits on the quantities of produce eligible for support;

● A choice between rigorous price restraint over a period of years or, alternatively, the imposition of quotas on producers;

● An attempt to renegotiate in the General Agreement on Tariffs and Trade (Gatt) to allow the Community to introduce some new protective measures in return for the dismantlement of others.

In short, the Green Paper tacitly acknowledges that the CAP is failing to fulfil its key objective of protecting small farmers while at the same time passing on to the European taxpayer, the consumer, intolerable costs.

Moreover, the disposal of surpluses through export subsidiea creates a vicious circle by depressing the world market, thus forcing up costs still further.

But it is on the internal front that the real battle must be fought. For, despite a general acceptance that the CAP is in crisis, the options put forward by Mr Andriessen have already encountered fierce criticism from his fellow Commissioners.

For Herr Karl-Heinz Narjes, the West German Industry Commissioner, the basic objective of a restrictive price policy carried through over a period of years, proved too strong medicine. And there are signs that a similar view is held by his Italian, Irish and Greek colleagues.

Even M Jacques Delor, tha Commission President, is said to have complained that the paper contained too few options. On his insistence, the uncomfortable but long-established fact that structural change "would not be possible without an outflow of labour" has been dropped from the final documeot to spare farmers' sensitivities.

Despite these evasions, however, the debate the Farm Commissioner sought to provoke appears to have already begun, with three specific camps preparing their strategies for the forthcoming battle.

Mr Andriessen's greatest allies, both within and without the Commission come from his native Netherlands and the UK. Both countries, enjoying relatively efficient farmers, believe the administrative nightmare of a qoota system must be avoided at all costs.

But they are also nervous of the consequences of an expensive incomes aids scheme that would draw resources away from them to the poorer regions of the south. Like Mr Henning Christophersen, the Budget Commissioner, they fear that their more spendthrift colleagues might oegotiate a costly income support policy but fail to deliver on the *quid pro quo* of sharply redneed prices.

The rejectionist front is formed by an unusual alliance between the West Germans—traditionally opposed to any price cuts—and Ireland and the Mediterranean countries. The latter member states fear that any upset in the present CAP, particularly with incomes subsidies partly financed by their own Treasury, will disturb a system that has so far paid them well.

Crucially, it is France's attitude that may hold the key. To Paris, price cuts—in moderation—are an attractive option that make French exports, both within the EEC and abroad, more competitive. M Henri Nallet, the French minister, has also allied himself strongly with the price cut lobby in this year's cereals debate.

The downside of this approach, however, is the electoral ramifications. Fears of losses in volatile Midi farming constituencies in next year's elections might swing France behind the third option of a co-responsibility tax.

The reorientation of cash resources

This mechanism, which is favoured by some German officials, fulfills the Commission's objective of making farmers suffer for their own over-prodnction by financing export subsidies through levies on all prodoction which exceeds internal demand. But once internal demand. But once again the cost is further rigidity in the marketplace, additional administrative expense and a tendency to freeze existing production patterns

Almost because this scheme, or the quotas option, represent the most unattractive and inadequate solutions to the problem cynics at the Commission believe they represent the most likely choice of the farm ministers.

And on the CAP, the cynics are seldom proved wrong.

Satellite communications

The pressing case for a legal framework

By Said Alexander Mosteshar

THERE IS a widely held view that the world is rapidly shrinking. Technological advances have brought about rapid data transfer in the form of television pictures, telephone conversations, document exchange and banking transactions, to name but a few.

Much of this communication is effected via satellites, about 23,000 miles above the earth. Ideas and information are daily exchanged between people of differing social, political and cultural backgrounds. One might expect that there would be a gradually increasing coincidence in their interests and aspirations. Furthermore, the diversity of communications facilities and the seeming availability of information encourages the belief in a corresponding awareness of such information. But neither of these impressions is entirely supported by the facts.

In a sense, the new technologies have brought about discord in the international forum. And communications systems themselves by their very sophistication are capable of hidden as well as open transfer of information.

Pauses in a telephone conversation may be used simultaneously to transfer a few million dollars from one bank account to another, to send a copy of a document around the world, and to pass secret information between computers. That is one reason why the use of such complex and costly satellites and equipment is relatively inexpensive.

Much of the information shunted around via satellite is the details of natural resources of Third World countries. It is often collected hy American corporations and sent to computers in the U.S. Many African countries claim that the information belongs to them; subject part and parcel to their sovereignty.

Brazil and seven other South American countries have also taken advantage of the lack of any international definition of "space" to claim rights nf sovereignty extending to satellites and other "space objects."

These are examples of the stances adopted by some Third World countries, which raise complex questions of international law. As satellite communication increases in volume and economic importance, the less developed countries will feel increasingly dependent for access to the technologically advanced nations. The desire for independence and for profit will lead to demands for greater control.

Pressure from these countries, whicb form the majority in the International Telecommunications Union, has already forced the ITU to review its method of allocating satellite frequencies and positions. The ITU now sets aside certain frequencies and positions for future allocation to countries with no immediate need for them. This is clearly not the most efficient use of these limited resources. In the 1976 Bogota Declaration eight

In a sense, the new technologies have brought about discord in the international forum

equatorial countries claimed sovereignty over the most important orbital oositions, and further complicated international negotiations.

It is in the interest of all nations to co-operate so as to avoid a free-for-all chaos in the world communications channels. But the previous system of allocation has operated to the benefit of the advanced economies. With a commanding majority in the ITU and substantial benefits to be reaped from satellite communications, the temptation for the less-developed countries to seek implementation of the Outer Space Treaty must be almost irresistible. In particular they may look to the provision declaring all resources of space to be the "common heritage of mankind"—this includes satellite frequencies and orbital positions.

Just in case all this did not sufficiently complicate a simple telephone call, many Western countries have legislation protecting individuals against communication of certain computer-based information about them, similar to the 1984 Data Protection Act in the UK. These laws regulate the flow of data across borders, often via satellite. The difference between the laws of the transmitting and the receiving countries creates complex legal problems with which banks, among others, have to contend daily. The absence of any international convention on the subject does not make things any easier.

Even existing international conventions do not always deal adequately with the problems arising from satellite communications. Many allow for differing domestic legislation to implement the desired objectives. For examole, parties to the 1974 Satellite Convention may choose not to give an organisation sending a television signal to a satellite copyright in the signal.

They may instead impose criminal sanctions for satellite piracy, which the originator of the signal cannot enforce. Furthermore, to ride another hobbyhorse of mine, there is no generally accepted view of where a broadcast via a Direct Broadcast Satellite (DBS) is made. The signal to satellite is not "directly receivable" by the public, aod so is not a "broadcasts" until it is relayed by the satellite. If, as is arguable, the broadcast is made in space, the international copyright conventions bave limited application.

International satellite communications between EEC countries brings into play the European competition laws. Enforcement of copyright can binder free movement of television broadcasts. Consequently, the European Commission in the Green Paper "Television Without Frontiers" recently proposed the withdrawal by EEC countries from certain copyright conventions.

In my view there is a pressing case for comprehensive international conventions to provide a legal framework for satellite communications in all its aspects. Unless a coherent body of law is developed by international co-operation, satellite communications will become increasingly subject to piecemeal legal solutions created to resolve short-term and limited problems. This could be an opportunity for the UK to take the lead in a field that it has seen dominated by the U.S. and its European neighbours.

The author is a practising barrister in London and the author of "Satellite and Cable Television: International Protection."

Letters to the Editor

The language of insularity

From the Director-General, the Institute of Export

Sir,—In his article "No one needs the gift of tongues" (July 12) David Lascelles makes the common mistake of those who meet mainly educated and anglophone foreigners or talk with foreigners whose livelihood depends on being able to speak English: hotel personnel, travel agents and the like. For business you cannot rely just on English. It does matter that British teenagers are too often monoglot.

If you wish effectively to sell goods or services to someone whose mother tongue is not English, you need, at a minimum, to be able to read and understand your customer's language. Moreover, without the local language you deny yourself direct access to local market intelligence from press, television and radio. Contacts, business and social alike, are limited to those in the country who speak English. You cannot know what you might have learned had you been able to talk to those who did not speak English and you place yourself in the hands of your local representative through whom you acquire whatever local knowledge he chooses to give you.

In negotiation your opposite numbers can confer among themselves in code, ie, in their own language, a negotiating advantage. You have no means of yourself checking whether written material about your products and services correctly describes them. You have to take on trust that any agreement which may be binding both in English and the local language has been correctly translated.

Fortunately, efficient British firms do not share David Lascelles's views. Recent research sponsored by this institute shows that the job prospects for the graduate of a vocational discipline who has acquired practical knowledge of one or more European language and some work experience in a European country exceed those of any save the brightest student of electronics.

The insularity typified by David Lascelles is surely one of the reasons for the marked imbalance in the trade in manufactures between the UK and some of its continental neighbours.

D. N. Royce.
64 Clifton Street, EC2.

From the Director, International Chamber of Commerce UK

Sir,—The most charitable interpretation of David Lascelles' article is that it was intended to provoke.

It has. Just because some of us are very bad at learning foreign languages, that is no reason to give up. More important, recent research has shown that inadequate use of foreign languages is one of several elements in our far-from-acceptable export performance.

There is at present a great deal of indignation at the numerous no-tariff barriers that protect the Japanese market. One, for which the Japanese can hardly be blamed, is their language. How can any company seriously contemplate penetrating the market, working through the intricacies of Japanese bureaucracy or understanding the mentality of customers without learning Japanese?

Conversely, one of the many reasons for the success of the Japanese in their own export performance is their willingness to learn, not only English, but other languages as well.

The fact that English is undoubtedly the lingua franca of world business is a positive disadvantage to us in certain respects and Mr Lascelles has done nothing to help us overcome it.

G. N. E. Wyburd.
103 New Oxford Street, WC1.

From Mr P. Young

Sir,—David Lascelles rightly argues for scrapping foreign language lessons but omits the one important replacement. Today, besides English, the universal language is that of computers. BASIC, for example, is of more practical value than French.

Peter Young.
21 Keble Close, Pound Hill, Crawley, Sussex.

Less gloom and more glimmers

From the chairman, Clarke Lee and Nightingale

Sir,—Having been involved with the public relations and promotional activities for the City of Liverpool, Merseyside County Council, Merseyside Development Corporation, International Garden Festival and many Merseyside businesses over the years, I felt that Nick Garnett's piece (July 9) struck a very sour note. He's not the first journalist and certainly won't be the last to dig a half page of copy out of our current situation. Much of his analysis is sound enough—as it is each time it is written about. Just four points:

1—Our housing, unemployment, political and image (whatever we mean by this) problems are going to be with us for some time to come. Our population is that of a semi-skilled labour-intensive busy trading port of the 1930s.

2—Geographically we face the wrong way and do not enjoy the natural wealth-creating atmosphere of the South-East. Oh that Stansted had been Ringway!

3—During the past four years we have tried hard to improve our situation; both Mercedo and MDC have enhanced our standing, improving the climate for private sector involvement. That brings me to my last point.

4—It is recognised by many Merseysiders that if we are to achieve economic regeneration, it has to start with ourselves, and that means the private sector. Much is being attempted by our chamber of commerce, the Institute of Directors, and private sector groups, with tourism being a major consideration. Look out for less gloom and more glimmers.

J. B. Clarke
25 Stanley Street, Liverpool

The attractions of Heysham

From the Port Manager, Sealink Sea Terminal, Heysham

Sir,—With reference to your article on the Isle of Man Steam Packet merger under the heading "Manx Line wins the shipping war" (June 26), I am concerned that Ian Hamilton Fazey can be so dismissive of the Port of Heysham without talking to the port management team.

His description of the port as being remote and dreary can only be described as uneducated.

Remote? Heysham is only eight miles from the M6 which connects Carlisle and the North with the M1 in the Midlands. A bus link is provided to Lancaster Castle railway station from which point London is achievable within three hours.

Dreary? The 15-year-old terminal building has recently benefited from £100,000 of investment resulting in a new waiting area. A modern cafeteria will be opened at the end of the month and the travel centre has been refurbished. There are also plans to improve the car and coach park facilities at the sea terminal.

In addition, we are discussing with British Rail the possibility of reopening the rail link between Heysham and Lancaster for the benefit of Isle of Man customers.

P. A. Read.
Heysham, Lancs.

Wave energy chance for investors

From Mr W. H. Bailey

Sir,—It seems perverse that the academics of Edinburgh should bemoan the loss of government funding (July 11) at the point of breakthrough in their project to harness cheap energy from the waves. Surely this must be a golden opportunity for them to exploit their knowledge, perfect their invention, and achieve fame and fortune to boot by promoting a public company for this purpose—to which investors (myself not least) will flock to subscribe.

W. H. Bailey,
Cliff House, Llancarfan, Barry, S. Glamorgan.

The chartist in full glory

From Mr B. Kettell

Sir,—The recent correspondence on efficient markets in the FT seems to omit one particular aspect which may be of interest to readers. While thumbing through Malkiel's "A random walk down Wall Street," I happened upon a passage that developed the chartist theory in delightful detail:

"When the chartist chooses a stock for potential investment, there is typically a period of observation and flirtation before he commits himself, since for the chartist—as in romance and sexual conquest—timing is essential. There is mounting excitement as the stock penetrates the base formation and rises higher. Finally, if the affair has gone well, there is the moment of fulfilment—profit taking and the release and after glow that follow—and all this takes place under the pennant of that great symbol of sexuality: the bull."

Brian Kettell.
Prospect House, Heath Street, NW3

No proof in tests

From Mr A. J. W. Taylor.

Sir,—There are many reservations as to the prudence of inviting senior managers with an exemplary track record to submit to psychological testing. Such tests cannot positively prove leadership potential, nor do they establish, without any doubt, the candidate's ability to overcome the stress syndrome. Psychological tests must be regarded as one part of the overall recruitment process, but, taken by themselves, are as reliable as a weather forecast.

Antony Taylor.
3, Ryder Street, S.W.1.

British sugar prices

From the managing director, Chivers Hartley

Sir, — I fully support and agree with the comments made by Hamish McDonald of James Robertson & Sons concerning the artificially high prices for sugar in the UK (July 10).

Mr McDonald has illustrated all too clearly the disadvantage that we face, as British manufacturers, in trying to sustain a competitive position in home and world markets.

Stan Williams.
The Orchard, Histon, Cambridge.

FINANCIAL TIMES
Wednesday July 17 1985

PRESSURE MOUNTS FOR A COMPROMISE ON THE ISSUE OF TRADE IN SERVICES

Gatt focus on Brazil and India

BY WILLIAM DULLFORCE IN GENEVA

BRAZIL and India will come under pressure from the combined weight of the industrialised nations over the next two days to waive their opposition to the calling of a high-level meeting to prepare for international trade negotiations early next year. There is a chance that they may give way.

The council of the General Agreement on Tariffs and Trade (Gatt) needs to find the appropriate wording on how trade in services is to be dealt with in the new round of negotiations to enable it to reach a consensus on the convening of a preparatory meeting of senior officials before the end of September.

The new catch phrase in Gatt is "delinking." A hard core of developing countries is insisting on obtaining some formal assurances that in the new round improvement to world trade in goods will not be linked to the negotiations about services so ardently sought by the U.S.

Since last week's indecisive meeting of Gatt's consultative group of 18 countries it has become clear that, if developing countries' apprehensions on this can be met, the council may be able to agree on the calling of a preparatory meeting.

But it is by no means a certainty. The paper submitted to the consultative group last week, in which the U.S. spelt out its far-reaching ambitions for international trade in services, has not helped matters.

The U.S. wants international agreements covering banking, insurance, telecommunications, data processing, shipping, aviation, construction and engineering.

But the two items which have most upset the developing countries are Washington's proposals for rules to govern the behaviour of public monopolies and its suggestion that national laws and regulations designed to protect domestic services would have to be notified first to Gatt.

However, the council's discussions over the next two days will focus not on the substance of any future trade talks but on the convening of a preparatory meeting to work out an agenda.

The chances of the council agreeing have been improved by the appearance of differences in the Brazilian and Indian approaches. These two countries have been the main opponents to the inclusion of services in the trade talks.

India so far sticks to its position that services have nothing to do with Gatt and should be discussed, if at all, in another forum.

Brazil is not objecting to services being dealt with under the aegis of Gatt, but wants the talks on services to be prepared and conducted separately from the negotiations on trading in goods.

Some developing countries, including Egypt, Argentina and Yugoslavia, share Brazil's fear that the U.S. will seek to trade off badly-needed improvements and expansions to Gatt rules on trade in goods for substantial concessions on services.

Other developing countries, notably the six members of the Association of South-East Asian Nations (Asean) and South Korea want to unblock the way to new trade talks. Their frustration at the delaying tactics of Brazil and India is now shared by some of the South American countries.

The European Economic Community is expected to propose formally that the council convene a preparatory meeting. The four major trading communities – the EEC, U.S., Japan and Canada – reiterated at a three-day meeting of trade ministers in Canada at the weekend, their agreement that services must be included in the new round.

If the wording on services cannot be agreed, it is likely that Sr Felipe Jaramillo, the Colombian Chairman of the Council, will be urged to use his powers to call the preparatory meeting without the backing of a full consensus.

UK firms seek money broking licence

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

LAZARD BROTHERS, the British-based merchant bank, and King & Shaxson, the discount house, have applied to the Bank of England to become money brokers in London's reshaped government securities market which will be launched next year.

Both institutions have until now held back from the so-called "City revolution" which is recasting the UK securities markets. But they believe that money broking gives them an opportunity to participate in the changes without exposing themselves to the large risks that many foresee in the new markets.

There are at present six money brokers in the stock exchange, most of them divisions of stockbrokers like Rowe & Pitman, Capels and Hoare Govett. Their role is to add liquidity to the markets by finding investors or dealers who are willing to lend rather than sell securities in exchange for cash. They act as agents rather than principals.

Both Lazards and King & Shaxson have had to accompany their application with letters from primary dealers in the gilts market as evidence that their services will be used. The existing money brokers have also applied to the Bank, which will publish a list next month.

Applicants have had to show that they have the expertise and capital to conduct a money-broking business.

Sir John Nott, the joint chairman of Lazards, said yesterday that the money broking business would be a separate subsidiary with capital of at least £5m ($6.9m). Since this is a new departure, the bank will be recruiting staff with money-broking experience in the City of London.

Although there is considerable loyalty to existing money brokers, Lazards believes its independence from other financial groups will give it an advantage over brokers who are in the process of being absorbed into larger conglomerates.

The huge increase in trading volume in the new gilts market should also enable outsiders to break into a business which has been relatively uncompetitive until now. Although Lazards does not expect it to be enormously profitable, it is hoping for a higher return on capital than it gets from banking.

King & Shaxson also expects to capitalise its money-broking venture at about £5m. The discount house felt it was too small to become a primary dealer. But it sees money broking as a way of taking advantage of the new system, according to Mr W. D'Abbans, the chairman.

Brussels to lift deadline on steel aid

Continued from Page 1

plant closures, such as redundancy payments and site clearance.

The closure aids, however, would also include provision to compensate steel producers for closing plant before it was fully depreciated. Where old plant had already been fully written off, and the marginal cost of closure outweighed the losses of continued operation steel companies could also be compensated if they agreed to closures. Mr Sutherland said that fixing the depreciation or compensation eligible for subsidy would be by an outside consultant.

The idea of continued state subsidies to close steel-making capacity is regarded with some suspicion by West Germany, while France and Italy in particular are unhappy about the Commission's determination to end all investment and operating aids on December 31.

The programme is likely to be extensively debated and amended before being approved by the 10 industry ministers before the end of the year.

On the question of ending the current minimum price system, Herr Narjes said it would be monitored closely, and reintroduced if there was any threat of a collapse of prices.

Production quotas for some long products would be the first to go, in the first phase of the three-year transition period, he said. Progress with the programme would be reassessed at the 18-month or two year stage.

Mr Varfis said greater co-ordination of regional and social aid in declining steel making areas was needed, and the amount of money available would be increased from Ecu 9bn to Ecu 10bn ($7.83bn) over the next four years. Apart from supporting new job-creation schemes, that would seek to promote new small businesses, and subsidise loans to the regions.

U.S. agrees on export restraint for key special steel products

BY STEWART FLEMING IN WASHINGTON

U.S. SPECIAL steelmakers have succeeded in persuading the Reagan Administration to include some of their key products in voluntary restraint agreements which have been negotiated with 14 countries which export to the U.S. market.

The Administration has also assured the industry that the new carbon steel export restraint agreement being negotiated with the EEC will also include curbs on special steel exports, Mr Paul Roedel, chairman of a special steel industry group, said yesterday.

President Ronald Reagan instituted a four-year import restraint programme in July 1983 which placed quotas on stainless steel bars, rod and alloy steels and tariffs of flat-rolled stainless products. Reporting to Congress after two years of the programme, Mr Roedel said "imports of the flat-rolled products have increased dramatically."

The Administration has now recognised the problem and included stainless flat-rolled products, stainless steel wire, electrical steel and stainless pipe and tubing within the overall carbon steel import agreements which have been reached with Japan, South Korea and a dozen other steel exporting countries, Mr Roedel said.

He said, however, that there were "very serious gaps" in the voluntary agreements with Sweden, Canada, Austria and the EEC. "We have been assured by the Reagan Administration that the (new) EEC agreement will include our products," he added.

The industry is also examining the possibility of launching a complaint against Sweden under U.S. trade laws. In 1983 the Reagan Administration had sought to resist protectionist pressures from the stainless steel industry by granting import relief in the form of a mixture of quotas and tariffs even though the industry wanted only quotas.

GTE hit by losses at Sprint

BY PAUL TAYLOR IN NEW YORK

GTE, the U.S. telecommunications group yesterday posted flat second-quarter net earnings, weighed down by continuing operating losses from its GTE Sprint long distance telephone unit which it blamed on "an unfair regulatory environment."

The Stamford, Connecticut-based group posted second-quarter net earnings of $285m or $1.33 a share compared with $283m or $1.41 a share in the 1984 period on revenues that grew by 8 per cent to $3.9bn from $3.6bn. The per-share earnings decline reflects a higher number of average outstanding shares, 207m compared with 193m a year earlier.

For the first half, GTE said net earnings fell by 6 per cent to $558m or $2.62 a share from $595m or $3 a share on revenues which increased to $7.6bn from $7.1bn.

Mr Theodore Brophy, chairman and chief executive, said: "The improved revenues and net income reflect the continued excellent performance by telephone operations as well as higher results in electrical products. However, these improved results were essentially offset by operating losses in GTE Sprint's long-distance business, which continues to be hampered by an unfair regulatory environment that adversely affects all the long-distance carriers."

Mr Brophy, who has led AT & T's cut-price long-distance rivals in their recent battle for changes in the AT & T break-up agreement, added: "We will continue to seek a more equitable transition plan for the long-distance telephone business from the 100-year-old monopoly by AT & T to a truly competitive marketplace."

GTE said its communications services division, which includes GTE Sprint, had an operating loss of $68m in the latest quarter, compared with a $30m operating profit a year ago on revenues which grew a modest 2 per cent to $322m. GTE Sprint's operations have been adversely affected by the higher post-AT&T divestiture charges the unit must pay to connect its customers to local telephone networks.

In contrast, three of the seven regional telephone holding companies, spun off as part of the AT&T break-up, all posted higher second-quarter net earnings yesterday.

Ameritech said second-quarter net earnings grew to $270.1m or $2.78 a share from $263.9m or $2.71 a share on revenues of $2.24bn up from $2.07bn. The latest results lifted six-month earnings to $544.4m or $5.58 a share on revenues of $4.46bn compared with $521.5m or $5.38 a share on revenues of $4.1bn a year earlier.

Nynex said second-quarter net earnings increased to $262.5m or $2.60 a share from $239.6m or $2.46 a share on revenues which increased to $2.54bn from $2.36bn.

Pacific Telesis posted second-quarter net earnings of $243.6m or $2.42 a share compared with $211.9m or $2.16 a share on revenues of $2.12bn compared with $1.96bn.

Bundesbank calls for demolition of financial frontiers

By John Davies in Frankfurt

THE BUNDESBANK, West Germany's central bank, has renewed its call for an end to restrictions on the movement of capital between European countries.

Regulations which cut off national capital markets from one another are not compatible in the long run with the goals of the European Community or of the European Monetary System, the central bank says in its latest monthly report.

The Bundesbank says it is remarkable that it has so far been impossible to break down the barriers to capital flows within the EEC, as envisaged by the treaty setting up the Community.

Apart from West Germany, the only EEC countries to allow their citizens to buy shares on foreign stock markets without any restrictions and at the normal currency exchange rates are the UK, Denmark and the Netherlands, the central bank says.

It points out that other forms of capital transfers also run into obstacles in some European countries, notably France and Italy.

In the Bundesbank's view, a global capital market is still far from reality. West Germany and a few other major countries such as the U.S. and the UK are exceptions in the free rein given to capital flows. Even Switzerland, the Bundesbank points out, requires authorisation for certain lending abroad.

In advocating further liberalisation of international capital flows, the Bundesbank is not only acting out of conviction that free market policies are beneficial overall. There is also a certain amount of self-interest, as West Germany may be in a position to gain from further intermeshing of capital flows.

In view of the D-Mark's importance as a currency for investment and as a reserve currency, the Bundesbank is anxious to preserve its competitiveness.

With an eye to this need, the central bank has been taking steps to bolster West Germany's attractiveness as a financial centre in comparison with London, New York and Tokyo.

Last year it successfully lobbied for an end to the withholding tax (coupon tax) on interest payments abroad. It recently opened the way for foreign banks' subsidiaries in West Germany to lead-manage foreign D-Mark bond issues and dropped its opposition to certain innovatory financial instruments.

It is also considering whether to allow banks in West Germany to issue certificates of deposit.

The Bundesbank, meanwhile, disclosed that its measure of money supply rose at an annual rate of 4 per cent last month – exactly in the middle of its 3 to 5 per cent target range for this year.

Martens told to continue

Continued from Page 1

the Heysel stadium, when rampaging Liverpool fans caused a panic and carnage among the rival Italian supporters for the crisis in his Government.

The general election would normally have been held on December 8, but now will take place on or before October 13, M Martens said.

He insisted that it should be possible to continue the present coalition of Flemish and French-speaking Liberals and Christian Democrats after the elections, in spite of the bitter exchange between M Gol and M Nothomb. The coalition parties face a strong challenge from the Socialist parties in the polls.

The government crisis took its toll yesterday on the Brussels stock exchange, where the index fell by 33 points, and the Belgian franc also dipped on the foreign exchange markets.

However, M Martens, in his fifth term as Prime Minister, has reinforced his reputation as a remarkable survivor

THE LEX COLUMN

Engineers take a pounding

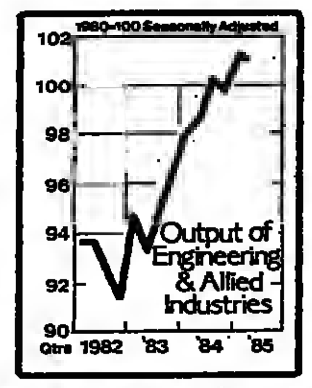
When the stock market read yesterday that Midlands engineering companies were worried about the effect of interest and exchange rates on their order books, prices in the mechanical engineering sector fell by 1½ per cent. Of the leaders, Hawker Siddeley lost 12p to 373p and GKN, 12p to 212p.

It seems curious that what has become a more or less annual complaint should so shock the market. But the combination of pessimism from the companies and industrial production figures showing more or less flat engineering output since the middle of last year seems to have tipped the balance on many analysts' predictions.

Instead of forecasting a steady recovery through lower costs and capacity, some people are now worrying about a squeeze inflicted by a stronger pound. In the face of tough import competition, it is not clear how much more action companies could take – most of the rationalisation has apparently already been done.

True, engineering companies managed perfectly well when sterling was at $1.40 last year. What they are more concerned about, though, is its level against European currencies. In motor components, for instance, exports to Germany are six times those to the U.S. And since January, sterling has appreciated against the D-Mark by nearly 15 per cent. The larger companies should be the best insulated from this. Either they have hedged their currency exposure or they have manufacturing operations in the countries they supply. But in the longer term, hedges have to be unwound and profits translated at lower rates.

The currency factor will affect all exporting manufacturers, but engineering companies claim to be doubly hit. High interest rates, they say, undermine their customers' confidence as well as squeezing profits. If their sales volume only stands still this year as a result, there should be enough margin improvement from efficiency gains to increase profits. If sales fall foul of foreign competition, however, today's historic p/e of over 10 could still be too high.



London hotels

A year ago, Intasun decided it should balance the risks to earnings from its tour operations by expanding into hotels. Never the most sedate of businesses, Intasun has pressed ahead with a disregard for timing which gives new meaning to the notion of countercyclical investment: in announcing the purchase for £37m yesterday of two railway hotels in London, Intasun has bought into one declining cycle to balance another coming – by Intasun's account – out of its trough.

Intasun argues (alongside all those brewers and distillers) that the currency cycle will roll by and still leave London without any new hotel property. But it is hard to see Intasun squeezing much more in occupancy or room rate out of the Grosvenor: the refurbishment is fully in the price and there is no sign whatever that a manager of Ramada's experience will want to run the thing.

The Charing Cross Hotel may offer greater scope, either for redirection towards business travellers or as a dormitory for Global tourists. Having been quick to identify the false synergy between its package tours and its airline, Intasun would surely not fall into the same trap with its hotel portfolio. None the less, a 10 per cent return scarcely leaves much headroom for mortgage payments and refurbishment – let alone the renegotiation of an 18-year lease.

Yet London hotels do funny things to people. Intasun may have paid the fullest possible price of £65,000 a room; but this is miserly compared with the 1000 times or so historic earnings recently offered by Trusthouse Forte for a few voting shares in the Savoy.

British Steel

There is nothing quite so tantalising as a set of nationalised industry accounts. The reader is led through page after page of peripheral detail only to discover that the most interesting information has been omitted. British Steel Corporation, it appears from the 1984-85 accounts published yesterday, has retained its 33 per cent interest in Appleby-Frodingham Cottage Trust. But quite where within its principal businesses it lost £172m is a mystery.

One matter on which BSC is as specific as can be is the effect of the miners' strike on its results for the year to March. The strike, it estimated, cost £180m and so converted a potential profit after interest into a loss of £140m for the group. A pre-tax profit was never on the cards – exceptional charges totalled £264m – but at least BSC appears to be moving in the right direction. It was making underlying profits of around £20m a quarter in the second half of last year and appears to have maintained that level so far in 1985.

Some of that progress, however, results from the substitution of Government funds, which incur no servicing cost, for interest-bearing term debt. Over £250m of market-related borrowings have been paid back in this way during the past two years. From next year, BSC will be obliged by the EEC to meet its capital requirements in the open market. At a time when BSC is running out of easy productivity gains, additional interest costs will be unwelcome to say the least.

PosTel/Parsons

It is perhaps strange that while all manner of banks and other outsiders have queued to buy their way into stockbroking, pension funds and insurance companies have been conspicuously absent. PosTel seems to have broken new ground yesterday by acquiring 20 per cent of Parsons & Co, a Glasgow firm specialising in private client business. The fact that another 20 per cent has been taken up by James Capel – with a view to giving Parsons use of Capel's research – makes the deal intriguingly triangular.

Whether it is really a manifestation of the City revolution at work seems more doubtful. PosTel is a major consumer of stockbroking services, but has had no particular relationship with Parsons, and does not intend to funnel its business exclusively through a middling-sized office in West Nile Street. Capel could usefully sell research to Parsons, since its own private client list in Scotland is fairly short; but the benefit of taking an equity stake in Parsons is not as obvious. What seems clearest is that the partners in Parsons have done well to take out some of their investment while the going is good.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	29	84	Malaga	S	27	81	Salzburg	S	27	81
Akrotiri	S	26	79	Faro	S	25	77	Malta	S	32	90	Seoul	C	27	81
Algiers	S	32	90	Florence	S	32	90	Manila	S	28	82	Singapore	S	32	90
Amsterdam	R	15	59	Frankfurt	C	22	72	Miami	C	30	86	Stockholm	F	21	70
Athens	S	29	84	Funchal	S	22	72	Milan	F	29	84	Strasbourg	R	18	64
Bahrain	S	37	99	Geneva	C	25	77	Moscow	F	25	77	Sydney	S	14	57
Bangkok	S	34	93	Gibraltar	S	27	81	Munich	S	26	79	Taipei	S	34	93
Barcelona	S	26	79	Guernsey	S	17	63	Nairobi	F	22	72	Tangier	F	25	77
Beirut	S	28	82	Helsinki	C	17	63	Naples	S	30	86	Tehran	—	—	—
Belgrade	S	31	88	H. Kong	F	31	88	New Delhi	C	29	84	Tel Aviv	S	30	86
Berlin	S	25	77	Innsbruck	R	22	72	New York	S	29	84	Tenerife	—	—	—
Biarritz	C	21	70	Inverness	C	17	63	Nice	F	26	79	Tokyo	S	30	86
Blackpool	C	15	59	Istanbul	S	28	82	Oporto	S	22	72	Toronto	S	24	75
Bordeaux	F	23	73	Jersey	F	17	63	Oslo	F	16	61	Tunis	S	31	88
Brussels	F	17	63	Jo'burg	F	17	63	Paris	C	21	70	Valencia	S	29	84
Budapest	F	29	84	Las Palmas	S	26	79	Prague	F	26	79	Venice	S	29	84
B. Aires	C	16	61	Lima	C	19	66	Reykjavik	F	12	54	Vienna	S	27	81
Cairo	S	33	91	Lisbon	S	24	75	Rio de J'o	S	27	81	Warsaw	F	24	75
Cape Town	—	—	—	Locarno	C	19	66	Rome	S	29	84	Zurich	—	—	—
Caracas	C	25	77	London	F	20	68								
Casablanca	C	24	75	Los Angeles	C	31	88								
Copenhagen	F	19	66	Luxembourg	F	22	72								
Corfu	S	32	90	Madrid	S	30	86								
Dublin	C	16	61	Majorca	S	34	93								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Bonn warned against 'complacency'

Continued from Page 1

OECD holds the rise in personal income tax since 1982 (in good measure due to "fiscal drag"), largely responsible.

The survey points out that the two-stage tax cut of DM 20bn – DM 11bn in 1986 and DM 9bn in 1988 – will only roughly make good the effective real increases in income tax since the centre-right Government of Chancellor Helmut Kohl came to office.

The way ahead, if Bonn is to achieve the desired combination of better output and employment together with maintained price stability, lies in a variety of structural reforms, some of which the Government has promised but failed to deliver, the OECD says.

Despite assertions to the contrary, subsidies – principally to agriculture, aerospace, the railways and mining – have risen "markedly" since 1982, increasing by 17 per cent between 1983 and 1984.

The OECD also wants a shift in public spending away from consumption to investment. Noting that public investment has dropped in volume by a quarter since 1980, it comments that "an improvement in the make-up of public expenditure and lower taxation may help ... stronger growth of output and employment."

The report is sceptical of the advantages of further budgetary belt-tightening along the lines advocated by Herr Gerhard Stoltenberg, the Finance Minister, noting that by some yardsticks the state's finances are already in underlying surplus.

Instead, the OECD secretariat would prefer a more determined attack on rigidities in the labour market and more forceful pursuit of privatisation. So far, the report observes, Bonn has reduced its stake in only one company – the energy conglomerate Veba, where the state's holding went down by 13.4 per cent to 30 per cent.

SECTION II – COMPANIES & CAPITAL MARKETS
FINANCIAL TIMES
Wednesday July 17 1985

Indesit sacks board as record loss revealed

BY JAMES BUXTON IN ROME

INDESIT, the troubled Italian white goods maker, yesterday sacked and replaced its entire board, and revealed a record loss of L106bn ($56m) in 1984.

But the company said that negotiations with a potential rescuer were at an advanced stage, although it stressed that any rescue would be conditional on a drastic restructuring of the company and of its labour force.

At a shareholders' meeting in Turin, shareholders voted in a board representing the Campioni family, the majority shareholders who stepped down from managing Indesit after an earlier crisis in 1980.

At that time Sig Mario Nobili became chairman and managing director. Yesterday he was replaced in both positions by Sig Franco Passi.

Last year's loss of L106bn was more than four times the 1983 loss of L24.4bn. About L45bn of the loss was incurred in the white goods sector, L14bn in the electronics sector and the rest came from a write-down of the assets of the company.

Turnover for 1984 was not revealed. In 1983 the company had sales of L301bn.

To absorb the loss, Indesit's capital is to be written down from L75bn to L40bn.

Indesit, which was in receivership from 1980 to 1983, has suffered both from the general weakness of the European white goods market and from the difficulties it has had in cutting its productive capacity and labour force. It has the capacity to produce nearly 3m units a year, although current production is less than 1m.

Sig Mario Nobili, the outgoing chairman, said yesterday that negotiations with a potential rescuer had reached a promising stage but he refused to identify the rescuer. He said that any company which came into Indesit would insist on the closure of plants and a drastic cut in the labour force from the present 6,000 to only 1,400. Of the 6,000 on the company's pay roll, 3,700 are permanently laid off.

A purchaser would also insist on the company abandoning unremunerative sectors such as components, compressors and consumer electronics.

In the past few months, the company is known to have held talks with U.S., European and Italian white goods makers. These include Westinghouse and Whirlpool, Electrolux (which controls Zanussi) the leading Italian white goods maker, and Candy and Ariston of Italy.

Profits up at four U.S. banks

BY PAUL TAYLOR IN NEW YORK

CITICORP and three other major U.S. banking groups, Security Pacific, Mellon and Wells Fargo, yesterday reported sharply higher second-quarter and first-half net earnings, continuing a pattern of sparkling quarterly results buoyed by higher net interest income, fee income and securities trading, partly offset by higher expenses and generally larger loan provisions.

Citicorp, the world's largest banking group, said net earnings rose by 22 per cent. Security Pacific, the seventh largest U.S. banking group, posted a 15.45 per cent gain, Mellon Bank, the 11th largest banking group said second-quarter net earnings grew by 42 per cent and Wells Fargo, the 13th largest banking group, managed a 16 per cent increase.

In contrast, Texas Commerce Bancshares, ranked 21 in the U.S., said its net earnings fell by 33 per cent reflecting higher loan loss provisions, moderating loan growth and a lower net interest margin.

Citicorp's second-quarter net earnings increased to $251m or $1.61 a share from $206m or $1.48 a share lifting first-half net earnings by 23 per cent to $528m or $3.83 a share from $429m or $3.13 a share.

Each of Citicorp's major banking divisions posted second-quarter earnings gains. The Institutional Bank earned $176m, up $16m from a year earlier. The Individual Banking Unit earned $88m, up $36m from a year ago, and Investment Banking earned $48m, up $17m from the 1984 period.

Los Angeles-based Security Pacific said its second-quarter net earnings increased to $79.2m or $1.08 a share from $68.6m or 93 cents a share and first-half net earnings grew to $152.7m or $2.08 a share from $136.5m or $1.85 a share.

Security Pacific's net interest income grew by 15 per cent to $410.6m from $357.8m a year earlier, bolstered by a 16 per cent increase in earning assets and a wider net-interest margin.

The banking group noted that non-interest income grew by 35 per cent to $224.4m in the latest period, while non-interest expense, including the provision for credit losses, gained 23 per cent to $435.9m. The provision for loan losses was $67.9m, up from $49.9m a year earlier but down from $78.8m in the 1985 first quarter.

Mellon Bank said its second-quarter net earnings jumped to $68.1m or $2.45 a share from $39.4m or $1.40 a share while first-half net earnings increased to $109.7m or $3.91 a share from $72.5m or $2.60 a share.

Net interest revenues grew by 17 per cent to $219.5m. The Pittsburgh-based bank's provision for possible loan losses in the latest quarter was $45.3m, up from $30.4m a year earlier, while net credit losses almost doubled to $30.3m from $10.3m.

Wells Fargo's second-quarter net earnings grew to $47.5m or $2.05 a share from $40.9m or $1.63 a share, lifting first-half earnings to $92.4m or $4 a share compared with $80.9m or $3.15 a share in the year-ago period.

Wells Fargo said its provisioo for loans losses in the latest period was $48.6m compared with $48.4m a year earlier, net loan charge-offs were $43.4m compared with $36.3m a year earlier

Texas Commerce Bancshares second-quarter net earnings fell to $31.1m from $46.4m. The drop primarily reflected a $60m charge in the second quarter to increase the allowance for possible loan losses.

MGM plan to spin off United Artists

By Our Financial Staff

MGM/UA Entertainment, the film and television programme production company controlled by Mr Krik Kerkorian, is considering a plan to spin off its United Artists subsidiary to shareholders.

Mr Frank Rothman, the company's chairman, also said he had received approaches from "substantial third parties" interested in buying MGM/UA itself, or else parts of its operations. He said the board was "obviously going to consider seriously whether this makes sense to our shareholders."

The spin-off proposal, if put into effect now, would value United Artists at about $500m. MGM/UA shareholders would be offered one share in the company at $10 lor each MGM/UA share owned. The stock has recently been trading at around $15⅝.

MGM/UA's statement said Mr Kerkorian and his investment vehicle, Tracinda, would take up their full entitlement in the spin-off operation, proceeds of which would be used to reduce debt.

Krauss-Maffei sale by Flick gets go-ahead

By Rupert Cornwell in Bonn

THE Federal Cartel Office in Berlin signalled yesterday its all-clear for the proposed sale by the Flick industrial group of its key arms subsidiary Krauss-Maffei to a consortium of banks and companies, including Messerschmitt-Bölkow-Blohm (MBB), the largest West German aerospace and defence concern.

The approval by the powerful Berlin office would seem to remove the last obstacle in the way of the deal, mooted for the first time, albeit in rather differeot form, more than a year ago.

However, the Cartel authorities resolutely blocked earlier proposals which would have seen MBB gain either a financial majority stake in Krauss-Maffei, or disguised management control.

SWEDEN GIVES OFFSHORE SERVICE GROUP A DEBT REPAYMENT MORATORIUM

Consafe granted a brief respite

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

CONSAFE, the financially troubled Swedish offshore service company, bas been granted a short respite by the state, its main creditor, in its fight to avoid financial collapse.

The Swedish state, which bas guaranteed about SKr 2.3bn ($273m) of Consafe's SKr 3bn long-term debts, bas given a 2½ months moratorium on the company's debt repayments until October 1.

At the same time, it has released about SKr 65m of Consafe funds, which have been held in a blocked account with the National Debt Office. The funds are to be used exclusively to meet interest payments on Consafe's state guaranteed debt.

Consafe, the world's leading operator ol offshore accommodation and service platforms for the oil and gas industry and Sweden's main foothold in the offshore supply industry is, bowever, still lacing a serious financial crisis. Its survival is solely dependent on financial aid from the Government.

Negotiations with Swedyard, the state-owned shipbuilding group which bas built eight platforms for Consafe in recent years and which is the primary guarantor of about 80 per cent of Consafe's debt, were broken off by Swedyard late on Monday nigbt.

Swedyard said that Consafe had turned down its offer of financial aid and that it was not prepared to make further concessions.

Consafe said yesterday that Swedyard had offered "insufficient financial support." In addition it had insisted on conditions which were illegal, as they would give the shipyard priority securities over other creditors on certain Consafe assets.

Mr Christer Ericsson, lounder, majority shareholder and managing director ol Consafe, warned that the company's liquidity position was deteriorating daily.

"At the start of the year, we had SKr 500m in cash, and we have been drained of SKr 300m so far this year. If this goes on we are in trouhle, the problem comes up quite soon."

He warned that if Consafe was allowed to collapse, about 60 per cent of the problem would automatically fall on to Swedyard, the already bard-pressed state shipbuilder. "It will have a domino effect."

Mr Ericsson said Consafe had to improve its balance sheet to be able to survive difficult years. Two years ago, it had been one ol Sweden's most profitable companies.

It was still seeking to persuade the state to write off part of its loans as well as to agree rescheduling of Consafe's remaining debt.

It expected to renew contacts with the state soon.

As majority shareholder, Mr Ericsson said he was willing to accept n write-down of about half the Consafe capital. In addition, the group would need n substantial injection ol new equity capital.

The size of Consafe's financial problems were revealed at the beginning of last week when the company said it expected to run up losses of SKr 300m to 400m this year and it was opening negotiations with its creditors.

Normed to shed jobs as aid budget is cut

BY DAVID HOUSEGO IN PARIS

NORMED, the ailing French shipbuilding group, is to accelerate cuts in its workforce with the shedding of a further 900 jobs this year.

The new cuts reflect the Government's determination to reduce subsidies to the shipbuilding industry in line with its continuing squeeze on public expenditure.

Normed benefited from FFr 3bn ($342.8m) in aid last year out of total subsidies to the industry of about FFr 5.5bn. This year's budget initially provided for fresh aid to the industry of FFr 3.5bn but, because of the depressed market for new ships, this has already swollen to FFr 4bn.

M Jacques Dollois, the President of Normed, said that the heaviest cuts would fall on the Dunkerque yard with 700 jobs to be shed. The remaining 200 will be cut from the group's La Seyne and La Ciotat yards on the Mediterranean coast.

Under the Socialist administration's revised plan for the shipbuilding industry announced in March last year, the workforce at Normed was to be reduced from 11,000 at the beginning of 1984 to 7,800 by the end of 1986 through early retirement and retraining schemes.

The original plan provided for Normed to cut its capacity by a third to 150,000 dwt – of which Dunkerque's share was 50,000 tonnes. With only two new boats currently being built at Dunkerque, the yard's capacity is to be further reduced to 25,000 tonnes. However, the yard is expected to receive an order from the French state railways for a new cross-Channel ferry.

The major shareholders in Normed are the Schneider group, which owns 37 per cent of the shares, and the Lebanese Intra investment group with 36 per cent.

Lower second quarter at Baxter Travenol

BY CHRIS CAMERON-JONES IN NEW YORK

BAXTER TRAVENOL, the U.S. medical products group which earlier this week won the battle for control of American Hospital Supply (AHS) with a $3.8bn agreed bid, yesterday reported an 6 per cent downturn in second quarter net earnings.

In contrast, Hospital Corporation of America (HCA), which had originally made an agreed $6.6bn stock swap merger deal with AHS before Baxter appeared on the scene, reported a 25 per cent advance in earnings for the period.

In the second three months, Baxter was hit by competitive pressure on prices depressing profit to $43.6m, or 30 cents a share, from $47.4m, or 34 cents, on sales up $26.3m at $499.6m.

This left the six months earnings little changed at $82.4m, or 56 cents, against $82.9m, or 59 cents, last time. Sales for the half year were 14 per cent higher at $997.1m, up from $874.1m.

The Baxter and AHS merger creates a group with combined sales of more than $5bn and earnings of more than $300m a year. AHS management has been highly critical of Baxter's intervention.

In its interim report, Baxter says its operating performance is directly in line with expectations and it continues to be confident that operating income, which was down 11 per cent in the quarter but up 3 per cent on the six months, will exceed last year's level.

Net income for the latest quarter at HCA was $82.53m, or $1.02 a share, up from $73.91m, or 84 cents a year ago, taking the six-month total to $166.85m, or $2.16, from $160.37m, or $1.82 previously. Half-year revenue at HCA was up 12 per cent at $2.39bn, from $2.13bn.

Schlumberger earnings drop by 27%

By Our Financial Staff

SCHLUMBERGER, the major New York-based oilfield services group, yesterday reported a 27 per cent fall in second-quarter net earnings following five consecutive quarters of advances on a comparable basis.

Net profits fell from $291.7m or $1.01 a share to $212m or 71 cents, taking profits for the first six months to $515.6m or $1.72 a share from $565.8m or $1.96. Revenues rose from $3.65bn to $3.33bn in the six months.

M Jean Riboud, chairman and chief executive, attributed the second-quarter earnings decline to costs associated with the acquisition late last year of Sedco, n contract drilling group.

Honeywell slips back despite revenue gain

BY OUR NEW YORK STAFF

HONEYWELL, the U.S. mainframe computer and control instruments manufacturer, suffered a 30 per cent fall in second quarter earnings. The decline followed smaller falls at IBM and NCR, but the group had warned in June of a sharp setback and, with the weakness in the sector having already been discounted, Honeywell's shares rose 5⅝ in early Wall Street trading to $62.

Honeywell blamed the slide in net income from $74.3m to $52.5m on the downturn in the computer industry and weakness in capital spending. On a per-share basis, earnings slipped to $1.14 from $1.59 previously. The year-ago figure was struck after a $5.4m loss on discontinued operations.

For the first six months, earnings were down at $98.7m or $2.14. In the comparative period a $10.8m loss on discontinued operations left the final net at $113.9m, or $2.43.

Honeywell's sales for the second three months were up at $1.55bn, from $1.47bn taking the half-year total to $3.03bn from $2.85bn.

Mr Edson Spencer, chairman and chief executive, said Honeywell's computer orders were up significantly over the comparable quarter in 1984.

Operating profit was lower in the group's information systems and control systems divisions, while for aerospace and defence it was unchanged.

Static results for U.S. publishers

By Our New York Staff

TWO large U.S. publishing groups have turned in almost flat second-quarter earnings. Time, which also has video and cable TV operations, produced net income of $60.22m, or 94 cents a share, against $60.14m, or 92 cents previously. Combined with a dull first quarter, that left the group's half-year total only slightly ahead at $104.26m, or $1.64, against $103.67m, or $1.59.

McGraw Hill, which is also involved in communications, showed net earnings for the second quarter at $34.63m, or 68 cents a share, against $32.37m, or 64 cents previously. That left the six-month figures at $63.2m or $1.25 a share against $59.1m or $1.17 a share.

EUROBONDS

Equity links draw investors

BY MAGGIE URRY IN LONDON

THE D-Mark Eurobond market received its first issue led by a foreign-owned bank yesterday when CSFB-Effectenbank launched a DM 100m issue for Credit Suisse Finance (Panama). The deal also played to the Eurobond market's current preoccupation with equity-linked issues, coming with warrants to buy Credit Suisse shares.

The issue has a five-year life with n 4 per cent coupon. The warrants buy into the shares at SwFr 2,880 compared with a closing price of SwFr 2,685. The deal was selling well and traded at around 103½.

Meanwhile, in the Eurodollar market an issue with equity warrants for Dowa Mining, the Japanese group, was also meeting demand. This is a $50m issue with a five-year maturity. Nikko Securities (Europe) indicated a 7 per cent coupon and n 2½ per cent exercise premium. The bonds traded around the par issue price.

That was the only issue yesterday in the dollar sector of the market. Sentiment among Eurodollar traders improved yesterday, and prices gained about half a point as hopes were raised that the U.S. GNP figure, due tomorrow, will be revised downward.

Interest again centred on non-U.S. dollar currencies with issues coming in Canadian, Australian and New Zealand dollars.

Merrill Lynch brought Hydro-Quebec to the market for C$100m with a 10-year deal paying an 11 per cent coupon with a 100¾ issue price. With fees of 2 per cent the issue was moving well at a discount around 1¾ point.

Late in the day, Union Bank of Switzerland (securities) launched a five-year C$100m issue for Bell Canada Enterprises. This looked tightly-priced compared with the Hydro-Quebec issue at 100⅞ with a 10⅛ per cent coupon. It came too late to trade.

The Australian dollar sector saw three new issues, with a further deal expected today for Den norske Creditbank. The market for these issues consists mainly of retail investors and they are very selective in buying bonds. Hambros Bank pleased them by bringing General Motors Acceptance Corp, a well-known name, with a A$35m issue with a 12⅞ per cent coupon and a three-year life. The issue price was set at 100⅞ and the bonds were trading around 99½.

Bankers Trust International led a A$50m issue for Westpac Banking which has a five-year life and a 12⅞ per cent coupon, with the bonds' issue price 100⅞. This suffered a little when Morgan Stanley launched a A$75m deal for State Bank of New South Wales, regarded as a better credit, with the same coupon and maturity, though a 100⅞ issue price.

Both deals were quoted within their 2 per cent commissions.

Two New Zealand dollar deals were launched as well, following the success of recent issues. Morgan Stanley led n NZ$50m deal for Bank of Nova Scotia which matures in March 1989. This pays a 16¾ per cent coupon and was priced at 99⅞. The issue was trading well at around 98½, inside the fees of 1⅜ per cent.

Banque Gutzwiller, one of the pioneers of the New Zealand dollar market, launched a NZ$40m deal for Finance Corporation ol New Zealand, which is guaranteed by Brierley Investments. This has a four-year life with a 16⅝ per cent coupon and 100⅛ issue price.

In the Swiss franc foreign bond market trading was quiet yesterday, with prices unchanged on average. The issue for Kinder Care ended its first day's trading at 97⅞ compared with its 99½ issue price. It bas a 5⅝ per cent coupon and 10-year life. National Westminster's bond with equity warrants advanced a further ¼ point to 106⅞.

Credit Suisse announced a SwFr 60m private placement for Toshiba Tungaloy with a five year life.

IFV Power in Ecu 100m Eurocredit

By Peter Montagnon in London

IFV Power, the public sector utility, is raising Ecu 100m in what is believed to be one of the first Eurocredits for a Danish borrower so far this year.

Bankers say the fine terms on the credit give a rare indication of current pricing levels for Danish Eurocredits. So far this year Denmark has concentrated on alternative forms of borrowing, such as bonds and floating rate notes.

BHF Bank bond average		
July 16		Previous
103.783		103.799
High	1985	Low
103.837		99.840

IFV is paying a margin of 3/16 per cent over Ecu deposit rates for the first three years, rising to ¼ per cent for the next five. Repayments begin after a grace period of five years.

The borrower intends to draw the full amount raised rather than hold it in standby form. This makes the deal more attractive for banks seeking an asset they can trade in the secondary market.

INTERNATIONAL COMPANIES and FINANCE

Abitibi-Price edges ahead in quarter

BY BERNARD SIMON IN TORONTO

ABITIBI-PRICE, the world's largest newsprint producer, lifted net earnings to C$21.3m (U.S.$15.8m) in the three months to June 30 from C$20.7m the year earlier, including an extraordinary loss of C$2.4m. Earnings per share slipped from 30 cents to 29 cents.

Mr Bernd Koken, president and chief executive officer, said newsprint shipments declined "slightly" in the second quarter from the previous three months, when customers built up inventories in anticipation of price increases. Like other Canadian newsprint producers, Abitibi has so far failed to impose a price rise in the U.S. originally scheduled for last January.

Second-quarter sales rose from C$586.6m to C$662.4m, partly reflecting the acquisition of a paper distributor.

Mr Koken said most of Abitibi's newsprint mills were shut down for part of the second quarter, but two groundwood paper mills operated at full capacity.

TRW earnings climb 9.6% as sales rise

By Our Financial Staff

TRW, THE U.S. diversified vehicle parts, electronics and industrial products group, raised net earnings by 9.8 per cent in the second quarter to $75.4m, or $2.03 a share, from $68.8m, or $1.84 in the same period last year. Sales were 14 per cent ahead at $1.73bn, compared with $1.5bn.

Six-month profits emerged at $132m, or $3.54, slightly up on the $128.8m, or $3.45, seen last time. First-half sales reached $3.33bn, up from $2.98bn.

E. F. Hutton keeps up pace of recovery

BY CHRIS CAMERON-JONES IN NEW YORK

E.F. HUTTON, the Wall Street securities firm recently at the centre of a mail and wire fraud case, has continued its strong earnings recovery into the second quarter, swinging from a net loss of $7.8m to a profit of $25.1m or 94 cents a share.

For the six months the upturn was from a profit of $5.3m or 21 cents, to $49.2m or $1.84. Revenue from continuing operations for the half-year, excluding E. F. Hutton Credit, was well ahead at $1.5bn against $1.1bn last time, with a $190m jump to $760m in the latest quarter.

Mr Robert Fomon, chairman and chief executive, said it was impossible to determine what effect, if any, the negative publicity about the company's banking practices had on revenue and earnings during the three months.

Revenue from principal transactions showed the greatest increase in the quarter, more than doubling to $89.5m. Other significant gains were made in investment banking – up 54.9 per cent to $32m, and commissions revenue, 19 per cent higher at $24m.

For the whole of 1984 the firm's net earnings were down by more than half to $52.7m, reflecting depressed market conditions in the first half.

Sharp setback for U.S. railway group

BY PAUL TAYLOR IN NEW YORK

CONRAIL, the north-east U.S. freight railway system, which is 85 per cent owned by the U.S. Government and subject to competing takeover proposals, suffered a 28 per cent decline in operating earnings in the second quarter on revenues that fell by 5 per cent.

The railway, which Mrs Elizabeth Dole, the U.S. Transport Secretary, has proposed selling to Norfolk Southern for $1.2bn, had net operating income of $122m or $4.43 a share in the latest quarter, compared with $168.9m or $6.27 a share in the same period last year.

A $32.8m extraordinary gain lifted final net earnings to $154.8m or $5.64 a share, while in the year-ago period a $10m extraordinary gain resulted in final net earnings of $178.9m or $6.64 a share. Revenues fell to $838.4m compared with $886.7m in the same period last year.

For the first half, Conrail, which has also received a $1.2bn competing bid from a consortium of 24 companies put together by Morgan Stanley, the Wall Street investment bank, reported operating net income of $164.9m or $5.98 a share compared with $254.8m or $9.43 a share.

Profits up at Searle

BY OUR FINANCIAL STAFF

G. D. SEARLE, the U.S. pharmaceutical group, lifted second-quarter net earnings by 10 per cent despite lower margins on sales of NutraSweet, the artificial sweetener responsible for much of the company's recent rapid growth.

Net profits rose from $38.4m or 77 cents a share to $42.2m or 95 cents, taking six-month earnings to $77.1m or $1.65 a share from $63.7m or $1.28 a year ago.

Sales in the six months jumped from $603.9m to $715.7m, and from $323.8m to $378.6m in the latest quarter.

Roche reports 17% growth in turnover

By William Dullforce in Geneva

ROCHE, the Swiss chemicals group, reports a 17 per cent growth in turnover to SwFr 4.7bn ($2bn) in the first six months of the year.

The financial results had "developed in a positive manner" and the group expected a "further improvement in earning power," according to the communique from its Basle headquarters.

Last year the Roche group, which embraces Hoffmann-La Roche of Switzerland and Sapac Corporation of New Brunswick, Canada, realised a net profit of SwFr 380m on consolidated sales of SwFr 8.27bn.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 16.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	100	101⅝	102⅛	+0⅛	−0¼	10.34
Amex Credit 12⅝ 88	150	106	106½	0	−1	10.22
Atlant Richfld 10¼ 00	250	98½	96	+0¼	+0¼	10.98
Bank of Tokyo 13⅜ 91	100	112¾	112⅞	+0⅛	−1	10.85
BP Capital 11⅛ 92	150	101⅞	102¼	+0¼	−1	10.85
Canada 11½ 00	500	105⅛	105⅝	+0⅛	−1⅛	9.88
Canadian Pac 10¾ 93	100	101¼	101¾	+0⅛	−1⅜	10.45
Canadian Pac 12½ 99	75	107⅞	108⅜	+0⅛	−1	11.31
CBS Inc 11⅝ 92	100	102¼	102¾	0	−0¾	10.84
Chevron U.S.A. 12¼ 89	600	104¼	104¾	0	−0¾	10.83
Citicorp 11½ 95	150	101¼	101¾	+0⅛	−0⅜	11.23
Coca Cola 11¾ 91	100	106⅜	106⅞	0	−0⅜	10.24
Denmark Kingdom 11⅛ 89	100	102⅞	102⅞	+0¼	−1⅛	10.35
Denmark Kingdom 11½ 90	100	104	104½	+0⅛	−1⅜	10.32
Denmark Kingdom 11½ 92	100	103⅛	103⅝	+0⅛	−1¼	10.74
Denmark Kingdom 13¼ 91	100	110⅛	110⅝	0	−2	10.84
Denmark Kingdom 14 91	100	109⅝	110⅛	+0⅛	−0⅜	11.89
E.E.C. 11⅛ 00	100	102⅝	103¼	+0⅛	−0⅞	10.23
E.I.B. 12 95	200	106⅝	107¼	+0⅛	−1½	10.79
E.I.B. 13 95	200	109⅝	110⅛	0	−1⅝	11.36
Export Dev Corp 10 90	100	99¼	99¾	0	0	10.12
Export Dev Corp 12 95	100	106	106½	+0⅛	−0⅝	10.10
Ford Motor Cred 11⅜ 90	100	101⅞	102¼	+0⅛	−1⅛	10.79
Ford Motor Cred 11⅝ 95	100	101¼	101¾	+0⅛	−1⅜	11.34
Ford Motor Cred 11¾ 90	100	102⅜	103¼	+0⅛	−0¾	11.08
Ford Motor Cred 12 95	100	104⅜	104⅞	0	−1⅛	11.18
Gen Elec Credit 10¼ 00	200	100¼	100⅝	+0⅛	−0⅜	10.17
GMAC 10¼ 89	200	100½	101	+0⅛	−0⅜	9.99
IBM Credit 10⅜ 2000	300	101½	101⅞	+0⅜	−0¾	10.17
Indust Bk Japan 12⅞ 89	100	108⅜	108⅞	0	−1½	10.22
Japan Air Lines 13⅝ 94	100	118⅝	118¾	+0¼	−0⅝	10.87
Kellogg Company 10⅞ 90	100	102	102½	+0⅛	−1¼	10.19
Kellogg Company 11¼ 92	100	102⅜	103¼	0	−1½	10.56
L.T.C.B. 12⅞ 01	100	109¼	109¾	+0⅛	−0⅞	10.69
Macy Cred Corp 11¾ 95	100	103½	103⅞	0	−2	11.13
Mellon Bank 13 87	100	105⅜	105⅞	0	−0½	9.90
Merrill Lynch 12¾ 89	100	105	105½	+0⅛	−1	11.09
Minnesota 11½ 87	100	103¼	103⅞	+0⅛	−0½	9.84
Mitsui Trust 11⅝ 90	100	103⅛	103⅝	−0⅛	−0⅝	10.70
Morgan Guaranty 12⅜ 89	100	106¼	106⅝	+0⅛	−0⅝	10.37
Nippon Cred Bk 13⅞ 89	100	110⅝	111½	+0¼	−0⅝	10.48
Nth America 12⅞ 91	100	106⅝	107⅛	+0⅛	−0⅜	11.25
Penney J.C. 12¾ 91	100	107⅞	108¼	+0⅛	−0⅝	10.89
Pru Realty secs 12⅛ 95	546	106⅝	107⅛	+0⅛	−0⅝	10.98
Quebec Hydro 11½ 92	100	103	103½	+0¼	−1	10.01
Ralston Purina 11¾ 95	150	104¼	104⅝	0	−1⅜	10.96
Ralston Purina 12¾ 89	100	107⅛	107⅝	−0⅛	−1¼	10.44
Royal Bk Can 12¾ 90 XW	100	102¾	103	+0⅛	+0⅛	12.10
Saskatchewan 10 3/4 90	100	100⅞	101⅜	+0⅛	−1⅜	10.48
Saskatchewan 11 1/8 89	100	105⅝	106¼	0	−1½	10.06
S Wales Trsy 11¾ 00	150	104⅝	105⅛	+0⅛	−0⅝	10.38
Swed Exp Cred 10 92	100	97¼	97¾	−0⅛	−1	10.52
Swed Exp Cred 12¾ 89XW	100	106½	107	0	−1⅝	10.63
Sweden Kingdom 10⅞ 00	200	101½	102⅛	+0⅛	−1¼	10.34
Sweden Kingdom 11½ 88	200	103¾	104¼	0	−1½	10.28
Sweden Kingdom 11¾ 94	100	105½	106	−0⅛	−1⅞	10.72
Texaco Capital 12⅞ 87	300	105⅝	106⅛	0	−0⅞	9.65
Tokai Asia 11½ 95	100	102⅞	103⅜	0	−1¼	10.95
Victorian Rep 11⅝ 92	150	103½	104	+0¼	−1½	10.80
World Bank 12¼ 94	150	108½	109	−0⅛	−1¾	10.79
World Bank 12⅞ 94	200	111⅞	112⅜	+0⅛	−1½	10.72

Average price changes on day +0⅛ on week

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	104½	104⅞	+0⅛	−0⅛	7.30
Austria Republic 7⅝ 94	200	103½	104¼	+0½	+0⅛	7.08
Baxter Travenol 7¼ 94	200	101	101¾	0	−0⅛	7.02
Credit National 8⅛ 94	200	105⅝	105⅞	−0⅛	+0¼	7.23
Degussa Int Fin 1½ 94	100	102⅞	103⅜	−0⅛	0	6.81
E.E.C. 8 92	200	103¼	104	−0⅝	−0¾	7.27
E.I.B. 7¼ 94	300	101	101¼	+0¼	+0⅛	7.07
Escom 8 92	150	98⅞	99⅞	−0⅛	+0⅛	8.00
Ferrovie Dello Stato 8 91	100	102⅞	103⅜	+0⅛	+0⅛	7.27
Finland Republic 1 92	200	100	100⅝	+0¼	+0⅜	6.81
Gould Int Fin 7⅝ 91	100	102⅞	103⅜	0	−0⅛	6.92
Ireland 8⅛ 92	150	104⅝	105⅝	+0½	+1⅜	7.14
Japan Fin Corp 7⅝ 91	100	103½	104½	+0½	+0¾	6.76
Mitsubishi Hvy 3½ 89WW	300	125	126	−1	−2	−2.01
Mitsubishi Hvy 3½ 89XW	300	90⅝	91⅞	+0⅛	+0⅛	6.29
Mitsubishi Met 3⅜ 89WW	100	99⅝	100⅝	−0⅛	−1	3.09
Mitsubishi Met 3⅜ 89XW	100	87⅞	88⅝	−0¼	−0⅛	8.24
Pepsico O/S Fin 7¼ 94	250	103⅞	104½	0	+0⅛	6.86
Renfe 7¾ 95	100	101⅝	102¼	+0¼	+0⅜	7.47
Renown 3⅛ 00	80	102⅝	103⅜	−0⅝	−1⅞	2.45
Reynolds O/S Fin 7⅝ 94	125	102¾	103½	+0⅛	+0⅛	6.99
Societe Cent Nuclear 8 91	100	105	105⅝	0	+0¼	6.87
Sth African Tran 7⅝ 92	100	96¼	97	0	0	8.24
World Bank 7¾ 99	100	103	103¾	+0¾	+1	6.84
World Bank 8 94	200	105¼	106	−0⅛	−0⅛	7.09

Average price changes on day 0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	101	101¼	−0½	−0⅜	6.08
Avon Cap Corp 5⅝ 94	130	99¼	99½	+0⅛	+0⅛	5.46
Brit land Comp 6½ 90	75	103	103½	−0⅝	0	6.15
Council of Europe 6 92	120	101½	101¾	−0½	+0½	5.72
Creditanstalt 5½ 94	100	98½	98¾	+0¼	+0½	5.80
Deutsche Bk Fin 5⅜ 95	100	100⅝	101	0	−0½	5.25
E.I.B. 5⅞ 94	120	101	101¼	+0¼	0	5.71
Export Dev Corp 5⅜ 92	125	99½	99¾	−0¾	0	5.44
Gen Occidentale 4½ 94	80	102¼	102½	−0¼	+0⅛	4.10
I C Industries 5⅝ 94	125	100	100¼	0	0	5.60
Ind Fund Fin 5¾ 94	40	100½	100¾	0	+0¼	5.66
Int-Am Dev Bk 6¼ 94	120	100	102¼	0	+0¼	5.82
N Zealand steel 5¾ 96	70	98½	98¾	0	+0¼	5.91
Oberos Kftwk 3⅝ 95	100	98	98½	−0½	−0⅜	5.61
Ralston Purina 5⅜ 94	125	100¼	100½	0	+0¼	5.32
Santos Finance Ltd 6 94	130	98	98¼	−0¼	−0⅜	6.27
Tokyo Elec Pwr 5½ 93	120	100	100¼	0	0	5.47
Tokyo Metropolis 5¼ 94	80	98¾	99	+0½	+0¼	5.40
World Bk 5¾ 94	150	101¼	101½	−0¼	−0⅛	5.55

Average price changes on day −0⅛ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Republic 7 95	50	100⅝	100⅞	0	−0⅛	6.90
Finland Republic 6¾ 90	15	99⅞	100⅜	−0¼	0	6.71
Mort Bk Denmark 1 92	10	100½	101	0	+0⅛	6.85
New Brunswick 7⅛ 95	10	101½	101⅝	0	0	6.93
World Bank 6⅝ 90	25	99⅞	100⅜	0	0	6.58

Average price changes on day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avco Fin 14 90 SA	35	100⅝	100⅝	0	+2¼	12.25
Nat Aust Bank 13⅜ 93SA	40	104⅝	105⅝	0	0	12.28
Scty Pacific 13⅞ 95 SA	60	103	100	+0⅛	+0⅛	12.48
Westpac 13½ 00 SA	50	104½	105½	0	−0⅛	11.34
Can Nat Rail 12½ 95 C$	100	105⅝	106⅛	−0¼	−0⅜	11.45
Chrysler Cred 12⅜ 92C$	50	103⅜	103⅞	−0¼	−0⅝	11.81
Desjardins 12½ 90 C$	00	103	103½	−0⅛	−0½	11.56
Genstar Fin 11¾ 95 C$	75	96⅞	97⅞	0	−0½	12.28
New Brunswick 11⅝ 95C$	15	102	102½	−0¼	−0¼	11.23
Shell Canada 11¼ 92 C$	75	101¼	101¾	0	−0⅝	10.93
Winnipeg City 10⅝ 90C$	50	98⅞	99⅝	−0½	−0¼	10.86
Nordic Inv Bk 16 90 NS	50	100	101	−0¼	−0⅛	15.79
NZ Forest 15¾ 92 NS	30	98	98	0	0	16.46
Swedish Export 16 00 NS	00	97⅞	98⅞	+0⅝	+0⅝	16.90
N.Z Govt. 9¼ 90 ECU	100	104	104⅝	+1½	+2¼	8.13
N.Z Govt. 9½ 90 ECU	100	103⅞	104⅛	+0⅝	+0¾	8.75
Rabobank 9⅝ 90 ECU	75	106⅝	107⅞	+0¼	+1⅜	8.53
Eurofima 7½ 90 FL	00	102½	103	0	+1	6.97
Philips Lamps 7½ 00 FL	100	102⅛	102⅝	−0⅛	+0¼	6.89
Rank Xerox 8 90 FL	100	104½	105	0	+0½	6.78
Van Lanschot 7½ 90FL	00	102	102½	0	0	6.90
World Bank 7½ 90 FL	150	102	102½	−0⅛	0	6.93
Gaz de France 11¼ 00FF	500	100½	101	+0⅛	+0½	11.13
Amer Express 11⅜ 90 £	30	103⅞	104⅜	0	+0¼	10.46
Australia Comm 11 92 £	40	99½	100	0	+0½	11.03
BP Capital 10¾ 92 £	50	98¼	99⅛	0	+0⅝	10.91
E.I.B. 11⅛ 95 £	50	101⅛	101⅝	0	−0¼	10.93
Imp Chem Inds 11¼ 90 £	75	101	101½	+0⅝	+0⅞	11.02
Inco 12¾ 93 £	50	102⅞	103⅜	0	−0½	12.09
Mcdonalds 10⅞ 90 £	40	99¼	99¾	0	+0¼	10.99
Privatbanken 11⅞ 92 £	20	100¼	100¾	0	+0½	11.74
Rank Xerox 11 92 £	40	99½	100	0	+0⅝	11.03
Royal Trustco 11⅝ 00 £	30	100½	101	−0¼	+0½	11.13
Ster Drug Cap 10⅞ 90 £	30	99½	100	+0⅛	+0⅝	10.91
Swed Exp Cred 11⅜ 92 £	50	100⅞	101⅜	+0⅛	+0¼	11.10
Tricentrol XW 11 92 £	35	93¾	94¼	−2½	−2½	12.33
Tsthouse Forte 11⅛ 90£	50	99⅝	99⅝	+0⅛	+0¾	11.27
World Bank 11¼ 95 £	100	102¾	103½	0	+0⅝	10.73
E.C.S.C. 10½ 94LF	100	104⅝	105⅝	−0⅝	−0⅛	9.00
Nat Lux Alum 10½ 90 LF	600	105½	105½	−0¼	−0⅛	9.39

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 89	0⅛	100¼	100½	11/10	9⅝	9.58
Banco di Roma 5¼ 90	0	99⅝	99½	24/8	7.98	8.03
BankAmerica O/S 5¼ 96	0¼	99⅝	99⅞	28/8	8.81	8.83
Bank of Montreal 6 90	0⅛	100⅝	100⅞	28/7	8¾	9.88
Bankers Trust 5 2000	0	99⅝	99⅞	11/6	9.81	9.88
Bankers Trust 5¼ 95	0⅛	100	100¼	13/6	8.56	8.55
B.F.C.E. 5¼ 99	0⅛	100⅝	100⅝	13/6	10.06	10.01
B.N.P. 5¼ 96 (July)	0¼	100	100¼	22/7	9⅛	8.11
C.C.F. 5⅛ 97	0	99½	99¾	22/6	10⅝	10.66
Chase Man'tn 5¼ 2009	0⅛	99⅝	100	8/8	9.69	8.79
Citicorp O/S 5¼ 95 Sep	0⅛	99⅝	100	10/12	11.10	11.20
Credit Lyonnais 5¼ 90	0⅛	100⅝	100⅞	11/10	9.89	9.82
Dresdner Fin 5¼ 89	0	99⅞	100⅛	25/6	9⅜	9.38
Ireland 5¼ 97	0	100	100¼	25/10	8.09	8.08
Ireland 5¼ 99	0	100⅝	100⅝	14/6	10	9.95
Italy, Republic 6 94	0⅛	100⅛	100⅝	12/11	8⅝	8.85
Lloyds Euro 5 2004	0⅛	100⅛	100⅜	18/10	9½	9.10
Midland Bank Perp 5	0¼	99⅝	100	10/8	5	5.01
Nat West Perp 5	0⅛	100½	100⅝	13/11	9⅛	9.07
Nat West Perp A 5¼ B	0¼	99¼	99½	8/7	5¼	5.29
Nat West Perp B 5¼ S	0¼	99¼	99½	8/8	5¼	5.29
Queensland Coal 5¼ 96	0¼	100⅝	101	12/11	9	8.92
Roy Bk Scot 5¼ 2005 £	0	99	99¼	2/8	12.81	12.93
Sweden Perp 5¼	0¼	100	100¼	8/7	9.44	9.43
Tokai 5¼ 99	0⅛	100⅝	100⅝	12/6	9.04	9.09

Average price changes on day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 90	4/84	1063	104½	105½	+1½	4.02
Fanuc 3¾ 98	1/84	7032	140⅝	141⅞	+2⅝	38.50
Fujitsu 3 99	5/84	1320	78⅝	79⅝	+2	20.54
Kumagai Gumi 3½ 2000	3/85	800	139⅛	140⅝	−0½	−2.58
Marui 3½ 99	7/84	1162	108⅝	110⅝	+2	4.92
Mitsubishi Elec 2⅞ 00	3/85	422	93⅜	94⅜	−0⅝	−1.57
Murata 3½ 99	2/84	2351	84⅝	85⅝	+2	32.10
Murata 3½ 2000	1/84	2300	83⅝	84⅝	+2	34.10
Nippon Elec 2⅞ 2000	1/85	1296	79	80	+0¾	15.53
Nippon Oil Co 3 2000	5/85	923	108⅝	110⅝	+0⅛	−0.25
Nippon Oil Co 3¼ 99	3/84	1052	100⅞	101⅞	+0½	13.58
Oki Elec Ind 3½ 99	10/84	805	87⅝	88⅝	+0⅝	38.08
Orient Leasing 5¼ 98	6/83	2600	111¾	113¼	+2	6.93
Sekisui House 3 99	6/84	812	119⅝	120⅝	+2⅜	0.36
Sony Corp 2 2000	5/85	4578	83⅝	84⅝	+1¼	1.88
Sumitomo Corp 2⅞ 99	5/84	583	128½	129½	−0⅞	−0.46
Taiyo Yuden 3¼ 2000	3/85	1078	88½	89¾	−0⅛	−1.83
Takeda Riken 3⅛ 2000	10/84	7663	77	78	0	12.45
Tokyo Sanyo Elec 3½ 99	12/84	772	88	81	+1⅞	1.46
Toshiba Ceramics 3 2000	4/85	1734	76¾	77¾	+2¼	6.71
Nippon Oil Co 2⅛ 92 SF	3/84	1052	107	107½	0	9.74
Nippon Shinpan Co 2 92 SF	3/84	801	102	102½	0	12.88
Asics 5 92 DM	12/83	528	105⅝	106⅞	+0½	27.70
Sum Realty 6¼ 92 DM	3/83	338	305	308	−3	−3.12

* No information available-previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. = current coupon. Co. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

هكذا من الأصل

Aeritalia seeks closer links with British aerospace industry

BY JAMES BUXTON IN ROME

A FEW weeks ago an unusual half-page advertisement appeared in the Financial Times. It consisted of a long unsigned article on the history of collaboration in aerospace between Italy and Britain.

The article was really about Aeritalia, the leading Italian aerospace company, and it seemed to mark the start of a drive to build a stronger alliance with the British aerospace industry.

Even by the standards of European aircraft makers, Aeritalia has an unusually eclectic set of alliances with other manufacturers. It holds 15 per cent of the Panavia consortium with British Aerospace and MBB of West Germany which builds the Tornado strike aircraft. It has stayed out of the airbus consortium, but it builds the ATR-42 commuter airliner in partnership with Aerospatiale of France. It is also an important participant in civil airliner projects with both McDonnell Douglas and Boeing of the U.S.

"We hope to expand our liaison with the British industry, says Sig Bonifacio, a 62-year-old Neapolitan. "We are pleased with our joint projects such as the Tornado and in space satellites."

Yet in one important respect British Aerospace actually presents a major threat to Aeritalia. Britain wants the Italian navy to buy the BAe Sea Harrier vertical and short take-off (VSTOL) jet to put on its own small aircraft carrier, the Garibaldi, destined to carry helicopters. The Italian Government has yet to decide in principle whether the navy should be allowed to create an air arm (which would require a change in the law), let alone whether to choose the Sea Harrier or its larger derivative, the AV8B, built by McDonnell Douglas.

But if Italy decided to buy VSTOL aircraft, Aeritalia's potential market in Italy for the land-based fighters which it builds would be reduced. The opportunities for major participation in building VSTOL aircraft in Italy are not great, because of the small number initially involved (less than 20) and because of the special complexity of the design. Not surprisingly, Aeritalia has been on the side of those Italian air force officers who argue publicly that the navy would be better defended from land.

Now Sig Bonifacio says: "We will not take any initiative before the government makes up its mind about naval aviation, and we don't know when that will be. But Aeritalia has long been in the fighter business and has the technology and a long history of collaboration with BAe. We are the only ones qualified to examine the industrial aspects of the problem when there is a decision."

Sig Bonifacio's friendliness towards the British aircraft industry suggests that he has an eye fixed both on work-sharing on the Sea Harrier, should the Italian Government buy it and on off-set arrangements in other fields. So far, the most important co-operation in aerospace projects on which Britain has been able to agree with Italy has been on helicopters, which involves not Aeritalia but Agusta, another state-controlled company. The two Italian groups are bitter rivals.

One deal which could bring Aeritalia and the British aerospace industry closer is the possible development by the Marconi division of GEC of an airborne early-warning version of the G222—Aeritalia's twin-engined military transport aircraft. "The Italian air force is thinking about it," says Sig Bonifacio. "I don't think the RAF is interested. What we need is a kick-off buyer before the project can go ahead." Aeritalia is also thinking of collaborating with BAe on the U.S. Star Wars project.

Sig Bonifacio said that it was now "almost impossible" that Aeritalia would join the Airbus consortium, to which BAe belongs. It had not joined when Airbus Industrie was formed in 1968 because the Italian government was not at the time prepared to take the decision. Financial difficulties were a problem and the government was also involved with the McDonnell Douglas DC-9 and DC-10 projects.

Since then Aeritalia has shipped fuselage panels for more than 1200 DC-9s and DC-10s. It also participates in building the Boeing 767, using advanced carbon fibre techniques.

In May Aeritalia took an even more decisive step away from Airbus when it signed an agreement with McDonnell Douglas to assist in developing the prop-fan engine. The prop-fan is a new form of jet engine which uses a large propeller, shaped like a ship's screw. It is expected to be much quieter and more economic to operate than the present by-pass jet engines. Aeritalia is studying how the prop-fan might be fitted to the MD-80, the enlarged and modernised version of the DC-9.

Airbus has so far shown little interest in the prop-fan engine, and is banking on its new airliner, the A-320, which uses conventional by-pass engines, establishing itself well before prop-fans come into service—if they do. "We are committed to projects with the U.S. industry which all compete with the products in the Airbus range," says Sig Bonifacio.

Might the collaboration with the U.S. on prop-fans be widened to include another European partner, such as a British company? "It is hard to predict the future," says Sig Bonifacio.

If the European fighter aircraft (EFA) project for a new fighter for the late 1990s goes ahead, Aeritalia will lead Italy's participation. But EFA now looks unlikely to succeed as a five nation project involving France, Britain, West Germany, Italy and Spain, because of the wide differences between France and the other countries on what type of aircraft to build and on who would lead the project.

So, as the other countries consider what they will do to meet their fighter needs should France go its own way and build its own aircraft, it is highly significant that Sig Renato Bonifacio, chairman of Aeritalia, said in a recent interview with the Financial Times that the Panavia consortium would be capable of building the aircraft.

Whether Panavia does in fact develop and build a fighter to meet the closely similar needs of the three countries depends not just on the talks with France breaking down. A second condition is that West Germany would have to join the expensive project, instead, as has been suggested, of going in with France. Britain itself would have to make up its mind, though British Aerospace says it can build a fighter on its own.

But if the Panavia consortium went ahead with the project closer links between Aeritalia and British Aerospace would follow.

Aeritalia is interested in helping to build the European Fighter Aircraft, shown here as an artist's impression

INTL. COMPANIES & FINANCE

'Johnnies' mine costs rise steeply

BY GEORGE MILLING-STANLEY

STEEP RISES in operating costs were the main feature of the quarterly reports from the South African gold mines in the Johannesburg Consolidated Investment ("Johnnies") group, as bas been the case with many current reports from the industry.

Costs at Randfontein Estates rose by 8.3 per cent in comparison with the previous three months after the inclusion of a non-recurring charge of R1.45m ($0.76m) relating to improved boliday pay arrangements for black workers, while Western Areas showed a 5.4 per cent rise after a similar charge of R1.58m.

The operating costs of both mines also reflected the impact of reductions in the amount of ore drawn from surface stockpiles, and the effects of wage increases awarded to white miners during the period.

Randfontein returned increased working profits from gold mining operations, helped by the higher output which followed from the increase in overall tonnage milled. Higher allowable capital spending led to improved profits at the net level.

Western Areas also produced significantly more gold in the latest three months, but this marginal mine has yet to see the full benefits of the increased rate of development work and returned a lower net profit of R4.99m against the previous quarter's R5.66m.

The star performer among the mines in tha Anglovaal group was undoubtedly East Transvaal Consolidated, which succeeded in mora than compensating for the impact on operating costs of higher white wages by increasing its throughput of ore substantially.

The economies of scale this provided led to a reduction of 11 per cent in oparating costs, with the result that working profits improved.

ETC was further helped at the net level bv a lower tax cbarge following the rise in allowable capital spending, so that net profits emerged at R6.7m, against R3.9m for the previous quarter.

Working profits of Anglovaal's two other principal gold producers were lower than in the previous three months.

Hartebeestfontein suffered a 10 per cent rise in costs associated with the lower throughput caused by labour unrest during the period, put an advance in uranium revenue, coupled with lower tax because of a rise in capital spending, ensured that net profits were higher.

The increased pace of development work at Loraine contributed to a 5.3 per cent rise in costs, so that profits from gold operations declined. Net profits were boosted by increases in by-product revenue and non-mining income and a lower interest charge.

The group's two base metal mines, Prieska aad Consolidated Murchison, botb faced difficult times.

Fluctuations in tonnage and grades of both copper and zinc are now the order of the day at Prieska, as the mine is working old areas in order to prolong its life.

Murchison maintained the level of sales of antimony concentrates, but gold revenue fell as a total of 46 kilogrammes was awaiting despatch to the refinery at the end of the period, and was accordiagly not taken into account.

The latest net profits of both the Johnnies aad Anglovaal mines are included in the accompanying table.

GOLD MINE NET PROFITS

	June qtr R000	Mar qtr R000	Dec qtr R000
Randfontein ...	77,700	57,942	†74,475
Western Areas	4,986	5,658	†18,475
Hrtebeestfontn...	36,519	31,280	†27,988
Loraine	12,749	12,734	11,763
Cons Murchison	3,913	2,340	†4,544
Prieska	8,711	8,785	†8,869
East Transvaal	6,656	3,909	†5,096

† Restated

Minority Holders in Rand Leases reject sale plan

BY JIM JONES IN JOHANNESBURG

MINORITY shareholders in Rand Leases, the defunct gold mine on Johannesburg's western outskirts, have turned down management plans to sell the company's mining title and some assets to the neighbouring Durban Deep mine.

Rand Leases terminated mining operations in 1971, just before the gold price embarked on its spectacular advance towards its 1980 peak of $850 an ounce. But although most of the mine's plant and equipment were sold in the early 1970s, the shares remained a favourite of gold price speculators.

Buyers cheerfully ignored regular announcements from Anglovaal, the mining house which manages Rand Leases, that reopening the mine was not economically viable. This year Durban Deep offered R1.35m ($0.71m) for Rand Leases' mineral rights—an offer which was effectively worth 37.5 cents per Rand Leases share. That offer has now been rejected largely by speculative shareholders who believe that, sooner or later, the old Rand Leases mine will be restored to production.

Rand Leases management told shareholders that the Durban Deep offer was the best that could be expected and that there were no alternative plans to resume mining. For Durban Deep, the acquisition of Rand Leases' mining title would have given ready access to attractive tonnages of relatively high-grade ore from Durban Deep's existing workings.

Durban Deep is nearing the end of its life based on ore reserves currently being exploited, but reportedly has plans to establish new operations in virgin ground in the south of its property. Exploitation of the Rand Leases' ore would bave given Durban Deep's management a breathing space

Barlow Rand to merge coal mining companies

BY OUR JOHANNESBURG CORRESPONDENT

BARLOW RAND, the South African mining and industrial group, proposes to merge Witbank Colliery and Welgedacht Exploration, its principal Transvaal and Natal coal mining companies.

Witbank is to offer one of its own new shares for every 10 Welgedacht shares. Transvaal Consolidated Land (TCL), the quoted Barlow Rand company which controls the group's various mining interests and which owns about 71 per cent of both Witbank and Welgedacht, has agreed to buy any of the Witbank shares not taken up by Welgedacht shareholders at R68.50 each valuing Welgedacht shares at 6.85 and the company at R62.3m ($32.5m).

The directors say Welgedacht faces several problems which can best be dealt with following a merger with Witbank. Welgedacht's current reserves are limited in its present mining areas and considerable capital expenditure will be needed to relocate its operations. Its working costs are high and future profits are likely to come under pressure as the authorities align the controlled domestic prices of Natal and Transvaal coal.

Welgedacht's coal has certain quality limitations which affect its marketability, they add.

In contrast, Witbank is a low-cost producer with extensive resources and growth potential. If it merges with Welgedacht, the directors say, more efficient financing of their capital programmes will be possible and Witbank will be able to derive economies of scale which will allow it to compete more effectively in domestic and export markets.

This could mean that the plan is to merge the two companies' export allocations and to deliver export coal from a small number of large collieries rather than from a number of widely scattered coal mines.

Recovery for Japanese trading houses

By Carla Rapoport in Tokyo

C. ITOH and Marubeni, two of Japan's leading trading bouses, recorded sharp recoveries in net profits in their consolidated figures for the year to March.

Thanks to a turnround in the earnings of its subsidiaries and associated companies, C. Itob reported that group net income reacbed Y13bn ($54.7m) against Y4.6bn in 1983-84. Consolidated pre-tax profits were Y27.2bn, up from Y22.9bn on sales of Y14,545bn, up 8 per cent.

The company said the improvement was due to strong performances by companies mainly in the machinery sector and the recovery of the steel and paper industries.

C. Itob said it bad terminated obligations related to the refinery operations of Toa Oil, making a lump-sum payment of Y11bn.

Our Financial Staff adds: Marubeni attributed its strong performance to favourable interest rates as well as a boost in sales. Growth was particularly sharp in machinery, construction, energy and chemicals.

Net profits surged by nearly 260 per cent to Y26.21bn. At the pre-tax level earnings were ahead 94.4 per cent at Y37.21bn, achieved on a 14 per cent rise in turnover to Y13,706bn.

Revenues from imports and offshore trade increased significantly, Marubeni said, and domestic sales and exports also beld up well.

Singapore bid for Deak-Perera

BY WILLIAM HALL IN NEW YORK

A GROUP of Far Eastern investors led by Mr Chan Cher Booo, a Singapore lawyer, bas made a bid worth more than $50m for Deak-Perera, the U.S. money changing group

Deak and company, the parent of the group, filed for protection under Chapter 11 of the U.S. bankruptcy code last December following a run on the deposits of some of its banking subsidiaries. Since then several partles have made bids for either part or all of the Deak group, which includes Deak-Perera U.S., one of the biggest foreign bank note and metals trading companies in the U.S., and Focobank, a profitable but small Swiss bank with banking subsidiaries in Austria and the Cayman Islands.

An original plan to sell Focobank to Dow Banking Corporation, which was acting on behalf of an unnamed client, fell through after objections from some of the creditors, and several other bids for the Swiss bank lapsed because the creditors could not agree on the best course of action.

The Far Eastern investor group is understood to have filed a stock purchase agreement with the U.S. bankruptcy court in New York. Tbe plan, wblch has been agreed with Deak but not with the creditors, involves a two-part transaction. Under the deal Focobank would be sold immediately followed by a plan of reorganisation under which the investor group would acquire all of the remaining assets, primarily the Deak-Perera U.S. operation.

The latest offer, which follows months of behind-the-scenes wrangling, will be considered by the U.S. bankruptcy court on August 6. Although it has been agreed to by the debtor, lawyers close to the case believe that it will be seen as an opportunity for other potential bidders to put in rival offers.

When Deak and two of its subsidiaries filed for Chapter 11, it listed liabilities of $95m and assets of $62.2m. Although the organisation is not very large, the bankruptcy proceedings have become enormously complicated because there are so many creditors involved

Focobank is regarded as being the most attractive part of the Deak financial empire since it bolds a coveted Swiss banking licence. The Deak group was established by Mr Nicholas Deak, a now 79-year-old Hungarian emigre, who came to tha U.S. in 1939.

Jack Chia-MPH in the red

BY CHRIS SHERWELL IN SINGAPORE

JACK CHIA-MPH, the consumer products group with interests in hotels and property, has fallen into the red because of downturn in Singapore's retail and hotel sectors and a foreign exchange loss in Australia.

For the year to March there was an after-tax loss of $10.7m (U.S.$4.85m) against a S$5.24m profit in the previous year aad extraordinary items pushed the loss to S$11.44m.

Group turnover rose 8 per cent to S$84.5m and trading profits stayed just positive at S$1.5m, but the botel division showed a loss of close to S$1m and the books and publications division a loss of S$1.7m. Both operations were previously profitable.

The group also suffered a foreign exchange loss of S$8.33m because of the weakening of the Australian dollar against the Singapore currency. Last year tha gronp showed a S$3.4m gain as a result of currency sbifts.

The directors say the botel division will continue to operate at a loss, but the books and pablications division sbould turn round following cost-cutting measures. The group will also benefit in the current year from the injection of Mr Jack Chia's balf share in the lucrative Tiger Balm and Kwan I oong busiaesses.

JAPANESE RESULTS

ASAHI CHEMICAL INDUSTRY SYNTHETIC FIBRES

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	998	934
Pre-tax profits (bn) ...	42.13	32.14
Net profits (bn)	16.42	13.39
Net per share	14.37	12.25

CONSOLIDATED

FURUKAWA ELECTRIC METALS, ELECTRIC CABLES

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	607	578
Pre-tax profits (bn) ...	1.93	4.70
Net profits (bn)	1.37	1.81
Net per share	2.87	3.13

CONSOLIDATED

KUBOTA AGRICULTURAL MACHINERY

Year to	Apr '85 Y	Apr '84 Y
Revenues (bn)	646	629
Pre-tax profits (bn) ...	30.33	31.04
Net profits (bn)	15.09	14.16
Net per ADR	224	211

CONSOLIDATED

TAKEDA CHEMICAL INDUSTRIES PHARMACEUTICALS

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	644	531
Pre-tax profits (bn) ...	51.98	52.76
Net profits (bn)	22.24	24.48
Net per share	28.83	31.92

CONSOLIDATED

TEIJIN SYNTHETIC FIBRES

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	588	560
Pre-tax profits (bn) ...	36.82	27.86
Net profits (bn)	16.40	14.10
Net per share	20.46	19.19

CONSOLIDATED

UK COMPANY NEWS

HAT progresses to £11.48m

FURTHER progress over the second six months enabled the HAT Group to lift its pre-tax profits from £10.25m to £11.48m for the full 1984-85 year.

Furthermore, current trading is satisfactory and Mr David Telling, the chairman, feels sure tha results for the coming year will show a further improvement.

He does not expect turnover to grow as rapidly as in the past year but believes the group should be able to improve its margins.

Turnover for the year under review, to February 28, 1985 improved from £185.4m to £231.59m—the group supplies specialist services and materials to industry, public and local authorities, and the general public.

The dividend total is being raised from 3.3p to 3.7p net per 10p share from earnings of 10.4p (9.3p)—the final dividend is 1.9p, up from 1.65p.

Attributable profits emerged at £4.47m, compared with £6.63m, after taking account of tax of £3.57m (£3.81m), minorities of £10,000 (£7,000) and extraordinary debits this time of £3.43m.

Referring to the Houston property, Mr Telling tells shareholders that HAT Group and Cavendish Holdings, a wholly-owned subsidiary of United States Property Trust (USPT), have agreed in principle to form a U.S.-based joint venture to acquire the property known as Three555 Timmons Lane, Houston, which is currently wholly-owned by a U.S. subsidiary of HAT.

The joint venture will be owned 49 per cent by a wholly-owned subsidiary of HAT and 51 per cent by Pershing, a wholly-owned subsidiary of Cavendish.

The joint venture company will be subject to a $22m non recourse mortgage. USPT, through Pershing, will be paying $11.2m in cash and promissory note direct to HAT. The result of this sale will be to reduce HAT's borrowings by some $29m and HAT will retain an investment of $10.8m in the joint venture together with the promissory note.

The property which was commenced in 1982 and developed by Guildbourne Texas, a subsidiary of HAT, is fully let and provides some 225,000 sq ft of office accommodation on 14 floors together with a multi-storey car park for 650 cars.

HAT directors have decided to discontinue activities in U.S. property development and have provided £3.4m in the accounts for the year under review for anticipated costs to the group. These relate to tenant easement costs, funding prior to the formation of the joint venture and a provision for the unrecovered financial costs relating to the continuing investment in the property.

This provision is somewhat relieved by a gain of some £3.7m in the reserves on the strengthening of the dollar since the group invested in the U.S.

Group pre-tax profits for the half year to end-August, 1984 rose from £3.88m to £4.33m on a turnover £11.23m ahead at £91.75m. In his interim report Mr Telling said the future continued to look encouraging and that further progress would be made.

● **comment**

The Houston tower block has been plucked like a magician's rabbit out of the HAT balance sheet. Sold to a joint venture (in which the group will have a 49 per cent stake) the building went for $44m, more or less its book value. The £3.4m extraordinary item includes provision for the share of running losses for the next four years on the tower (in these figures £600,000 was taken above the line for the shortfall) and, should the oil city's property market take off in a couple of years' time, then half a capital gain will be better than no loaf. Of the main divisions, painting enjoyed a good boost following the acquisition of Cannon in the U.S.—the divisional profit contribution was around £5½m, £2m up on last year. Cannon produced more than £1m of this, although translating at $1.06 was certainly flattering for the U.S. company. Cleaning was down as was glass (by £600,000 due to relocation problems of the manufacturing units) while plant hire and maintenance were ahead. Plastering and engineering services were dull performers. The Houston sale also transforms the gearing, net borrowings are down to less than 20 per cent of shareholders' funds now and some room, although not much, for a middle-sized acquisition has been created. In this year the analysts are looking for £13m pre-tax which has the shares at 96p trading about right given this consolidation phase on a prospective p/e of almost 9 (35 per cent tax charge).

Rbt. Fleming improves to £18.53m

Robert Fleming Holdings returned profits of £18.53m, against £15.5m, in the year to March 31, 1985 after tax and transfer to inner reserves. A final dividend of 30p lifts the total from 40p to 45p.

The directors say in the wholly owned subsidiaries in the UK the level of business achieved was first class in all the main areas. They add that staff numbers are up, both to meet the continuing growth of activity and also to achieve future expansion in new and existing types of business.

The company increased expenditure on overseas representation, opening new offices in Frankfurt and Bahrain.

Of the UK subsidiaries which are independently managed, Save & Prosper had another good year, and Robert Fleming Insurance Brokers made excellent progress.

Looking ahead, the directors plan to move to the new office at the end of 1985 and they will continue with the development of broking and dealing in international and UK securities. Costs will increase further, but so far in the current year activity is at a high level and, if this continues, the results should again be satisfactory.

Domino Printing diversifying

A MOVE into the field of large character printers is being made by Domino Printing Sciences, which is Europe's market leader in continuous jet printers for industrial applications.

Agreement has been reached with Cyklop International Emil Hoffman of West Germany to acquire patents, design details and technical information related to Cyklop's large character printers.

Cyklop has agreed not to manufacture or sell comparable products for five years and Domino will transfer manufacture of the printers to its Cambridge premises.

Domino, which will be paying £303,000 cash for the deal, has been investigating ways of entering this market for marking and date-coding cartons and outer packaging, particularly in the food and drink industry.

The deal accompanied Domino's interim results showing an increase in taxable profits from £710,032 to £1.21m on turnover ahead at £4.79m, against £2.99m.

The results are the first since the company obtained a full listing in April through an offer for sale of 5.5m shares which was heavily oversubscribed.

Mr Graeme Monto, the chairman, says that exports over the six months to end-April 1985, increased to 83 per cent of units sold compared with 77 per cent for the previous year. There has been a particularly strong performance in Germany, he says, where recent comparative trials by a major cosmetics firm resulted in Domino equipment again being established as first choice for product coding.

The new Elan System for numbering and addressing was launched at "Print '85" in Chicago in April and considerable interest has been expressed by original equipment manufacturers wishing to incorporate this equipment into larger systems.

As stated in the prospectus, no interim dividend will be paid for the interim period. The directors hope to recommend a final dividend of 1p per share.

While the pattern of trading in 1983/84 reflected product introductions and benefits flowing from the agreement with American Technologies, the growth of the group in 1984/85 will be reflected in a more even split of profits between the two halves, says the chairman.

The group's position remains strong in all its major markets and the directors are confident that further satisfactory progress should be reflected in the results for the year as a whole.

● **comment**

Yesterday's 6p fall, to 257p, the lowest level since Domino's April flotation at 200p a share, appears an incongruous reaction to figures pointing the way towards £2.6m to £2.7m for the year and news of what could eventually be an important acquisition. On the trading front everything is apparently looking good, with sales in Europe, Far East and the UK progressing well, while American Technologies has successfully started manufacturing under licence and the U.S. is shaping up well, too. If anything, Domino looks a better proposition today than it did when the City enthusiastically embraced the offer three months ago and the unease in the price is more a reflection of general market attitudes rather than a comment on the company's prospects. And in this market a prospective p/e of 19 is probably high enough even if solid growth prospects remain untarnished. The Cyklop purchase underlines those prospects. Its technology is simpler than Domino's but it fits in well and, while the influence on this year's profits will be minimal, within three years it could account for a third of the business. Further acquisitions will come to strengthen the product range and create vertical diversification—increasing distribution, for example.

Multitone hit by switch in demand

A SLUMP in full year profits from £1.36m to £515,000 pre-tax was yesterday reported by Multitone Electronics, the communication systeme designer and manufacturer.

While sales of nn-site paging systems and equipment were well ahead, both at home and overseas, sales in the wide-area paging sector were less than expected.

This was mainly dne, the directors state, to a sharp and sudden shift in demand in North America from tone-only pagers to pagers with a 20 digit numerical display, a product which Multitone expects to have in prodnction later this year.

The shortage of development engineers from which Multitone suffered until it completed the design and engineering centre in Basingstoke delayed several planned products. However, as a result of the expansion of R and D effort the number of prodncts now in various stages of development is larger than at any other time.

Despite the setback, Mr I. H. Karten, chairman and chief executive, expects new products to benefit sales and profitability from the second half of 1985-86 and to have an increasing impact in subsequent years.

The timing of prodnct launches will accentuate the normal seasonal imbalanee between the two halves this year, adversely affecting the opening six months, although the board bopes that the year will mark the beginning of the process of recovery to earlier patterns of growth.

Turnover for the year to end-March 1985 was, as expected, virtually static at £20.36m (£20.61m) and trading profits declined from £1.74m to £710,000.

Although earnings per share fell sharply to 1.8p (5.7p) the directors, reflecting their belief that dividend cover will be satisfactorily restored, are recommending a higher final payment of 1.68p—this lifts the total from 2.65p to 2.78p.

● **comment**

There is almost an element of desperation in Multitone Electronics' decision to increase its dividend, despite a well-signalled profits collapse. Presumably, the directors are only too aware that at 43p, down 5p, the shares need all the support they can get from a 9 per cent yield. It is all a far cry from the high hopes of 1982, when the company was floated at a striking price of 142p. Multitone has had more than its fair share of accidents — delays in component supplies on previous years and last year foreign exchange losses. But the core of its difficulties seems to have been tha shortage of research and development engineers in London which forced the company to move its R&D centre to Basingstoke. The group has still not got over the disruption this caused to prodnct development programmes, delaying for example the launch of the display pagers in the U.S., which hit North American sales badly. These problems can anly have helped the competition, which includes some very large electronics gronps — Motarola in the U.S., Ericsson in Europe. There must be some doubt whether Multitone, despite its technological strengths, can make up the lost ground.

Lowland £1m debenture stock placing

Lowland Investment Company, an investment trust managed by Henderson Administration, yesterday placed £1m of debenture stock 2010 at £99.026 per cent.

The new stock froms a single series with the £2m of debenture stock placed in December. It bears a 11½ per cent annual interest rate, payable on January 1 and July 1.

The company will invest the funds to help echieve its eims of increasing income and capital valne in a diversified portfolio of holdings.

Yearlings fall

The interest rate for this week's issue of local anthority bonds is 11$\frac{7}{16}$ per cent, down $\frac{1}{16}$ of a percentage point from last week, and compares with 11¾ per cent a year ago. The bonds are issued at par and are redeemable on July 23 1986.

Howden tops £11m and in healthy liquid position

WITH A further improvement of £1m in the second six months the Howden Group finished the 1984-85 year with pre-tax profits £1.3m ahead at £11.37m.

And with a sound hase of technology and resources, a strong order book and a healthy liquidity position the directors are looking for further progress in the current year.

Meanwhile, they are lifting the final dividend to 2.46p giving shareholdars a total of 3.36p (2.8p) per 25p share. Earnings emerged 2.5p higher at 12.2p.

Turnover for tha year, to April 30 1985, advanced from £159.02m to £184.97m—Howden, based in Glasgow, is an industrial bolding company with interests in engineering. It is also e specialist manufacturer of air, gas and fluid handling equipment.

Tax accounted for £2.73m (£3.17m) and minorities for £1.33m (£1.04m). This left net profits at £7.31m, compared with a previous £5.85m.

Availeble earnings came through £1.28m ahead at £6.32m after deducting extraordinary debits of £987,000, against £808,000.

The directors say liquidity remained healthy even after taking account of capital expenditure of £5.3m during the year and acquisition costs of £2.1m. Cash at year-end was well in excess of short-term borrowings.

James Howden & Co, Glasgow, made a substantial contribution to group profits, again a significant portion of the company's output was for overseas markets.

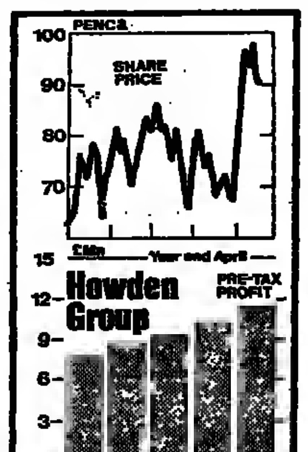
The directors say manufacture of the gas circulators for Heysham 11 and Torness AGR powar stations continued satisfactorily and remains on schedule. Contracts received during the year included fans for Kwangyang steel works in South Korea and Makkah-Taif power stations in Saudi Arabia.

The results of Howden Engineering continued to be affected by the low activity in the market for inert gas systems for tankers. Howden Oil Engineering obtained orders for three phase separators for the Bree "B" and Ula fields in the North Sea and for e floating production plstform for Nigeria.

James Howden South Africa returned another solid performance. Contracts received during the year included main ventilation fans for St Helena gold mine and Premier diamond mine, and axial and centrifugal fans for Majuba power station.

Howden Compressors, Glasgow, had a disappointing year due to e low order intake in the earlier part of the year. Bookings picked up in the latter part of the year and an improved result is anticipated in the current year. Orders for the transit bus compressors in tha U.S. have been delayed pending further experience in the field. A new lightweight design has been commissioned and negotiations are proceeding on this concept.

Howden Compressors America had a good year, despite a



depressed refrigeretion compressor market in the U.S. The refrigeration contracting companies had a mixed year.

As anticipated, Airscrew Howden, Weybridge, improved its performance and the results achieved by all three operating divisions were in line with expectations. The air control division order intake included engine cooling packs for the Challenger tank end air and gas filtration pecks for the Ministry of Defonce. The industrial division had e good year and revieced s number of orders for ventilation fans for North Sea offshore oil platforms.

Wayne H. Coloney Company, of Florida, acquired with effect from September 1984, made e satisfactory profit contribution for the period. Tha company specialises in the design of ground support equipment for the U.S. defence market.

Results of Mafo Howden, Holland, were below expectations duo to production difficulties but order intake was satisfactory. Orders received included a design end manufacture contract from the Dutch Navy for a handling system for the Sea Sparrow missila and easy-access doors, hatches and scuttles for Belgian and Dutch Nevy minesweepers.

The companies in South Africa, who serve the industrial market, maintained their profits despite the difficult market conditions. Howden Attack extended its range of pumps for specialised applicatious with tha introduction of fire pumps and Howden Safanco had a satisfactory order intake from the mining and heat exchanger fan markets.

Brown Boveri Howden, Toronto, made a good contribution to group profits. Heatex Howden, Toronto, had another difficult year due to the depressed market for off-road and transport vehicle radiators.

● **comment**

Another good performance from Howden Group—the results were about £½m ahead of forecasts—saw the shares rise 3½p to 94p while the market overall was slipping. The group remains cash rich with a net £14m to band after the £7.4m spent on new plant and acquisitions. Net interest earnings provided a solid £3m (£2½m last time) end the tax rata was down as accumulated ACT liebilities were brought into play. Only one division made a loss—Howden Compressors, whare the prospects for tho transit bus compressor now looks uncertain. The only othar negstive factor was the below the line £1m costs for the closure of two subsidiaries—the minorities payment, almost all of which goes to Brown Boveri, is on a rising scale depending on profits at the Canadian joint-venture and could well exceed the Swiss company's 49 per cant stake. Still on the look out for s medium-sized (£15m or so) acquisition, the group seems likely to turn in pre-tax profits of £12.2m for tha present year, say analysts. A stronger pound could shave something off this although in these results the currency effect was minimal. Short of new thinking at bead office, steady growth seems assured but the shares are now quite close to being fully valued.

Laporte in £5.8m U.S. expansion

Chemicals group Laporte is buying Mineral Research and Development Corp. of the U.S., a manufacturer of chemicals for timber treetment, for $8.1m (£5.8m). The acquisition is tha third made by Laporte in the U.S. this year.

Together with Chemical Specialities, acquired two years ago, Mineral Research is claimed to make Laporte one of the biggest U.S. manufacturers of timber treatment chemicals, behind Kopper and Osmose. "We are now very close to number two," Laporte said.

Laporte managing director, Mr Ken Minton said the companies fitted together well in marketing strategy. Both are based in the south east of the U.S. (Chemical Specialities in Georgia, Mineral Research in North Carolina), but have pursued different expansion strategies—Chemical Specialities into Texas and tha South West, Mineral Research into tha North West including Canada.

Mineral Research sales last year were around $20m (£14.4m). No profits have been disclosed, though Mr Minton said that pre-tax margins were "close to double figures."

Including Laporte's share of turnover from the Interox group's U.S. operations, U.S. sales will now be in the region of $100m (£72m), between 15 and 20 per cent of the group total.

Laporte's U.S. operations now cover a wide area, from water treatment to electronic chemicals. The group divides its activities into eight areas, six of which, Mr Minton said, were now represented in the U.S. The two areas not so far included are fine organic intermediates and adsorbents.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Aaronite Group‡ ... int.	1.4	Sept 5	1.4	—	2.8
D. F. Bevan	1	Oct 3	0.75	1.25	1
Brunning Group	2.8	Sept 10	2.8	4.9	4.73
Denmans Electrical‡ int.	1.25	Aug 5	1.25	—	3.5
Robert Fleming	30	—	—	45	40
HAT Group	1.9	Oct 2	1.65	3.7	3.3
Howden Group	2.46	—	2	3.36	2.8
Isis Group§	5.5	—	—	—	—
Lancs and London int.	2	July 29	—	—	3.13
Multitone	1.68	—	1.6	2.78	2.65
Normans Group	0.9	—	0.75	1.8	1.55
Reed Executive	2	Oct 14	0.5	3	1.8‖
RKT	5.5	—	8	16.5¶	11
Strond Riley	1.5	Sept 13	1.5	2.25	2.25
Vantage ... int.	0.4	—	0.35	—	1.4

Dividends shown pence per sbare net except where otherwise stated.

* Equivalent after allowing for scrip issue. †On capital increased hy rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 18 months. ‖ For 15 months.

Chrysalis offer gets poor reception

The Chrysalis Group offer for sala has been greeted with a poor reception in the City, and 94 per cent of the issue has been left with the underwriters.

Only 241,000 of the 4.3m shares on offer by Samuel Montagu at 200p each ettracted applications, which were worth £482,000, against a value of the issue of £8.6m.

The offer price was agreed a month ego wben details were finalised for a mergar between Chrysalis and Management Agency and Music. The new company, which has been renamed Chrysalis Group, is the only publicly quoted UK record company. At the offer price it is capitalised at £52m.

First half premium rise for L & M

London and Manchester Group reports a near 15 per cent rise in new life and pension annual premiums, from £11.24m to £12.87m, over the first half of this year, with a near 50 per cent increase in single premiums from £19.25m to £28.18m over the period.

The group's pension division had a successful half-year with net new annual premlums rising by 37 per cent to £1.9m with strong growth from the Combined Plan, a combination of money purchase and final salary type pension schama.

In the Life Broker division, the pre-Budget pensions boom resulted in a near 30 per cent rise in new annual premiums from £4.1m to £5.2m. Continued sucess in marketing of unit-linked honda and limited sales of guaranteed income bonds saw single premiums up 40 per cent to £15.6m.

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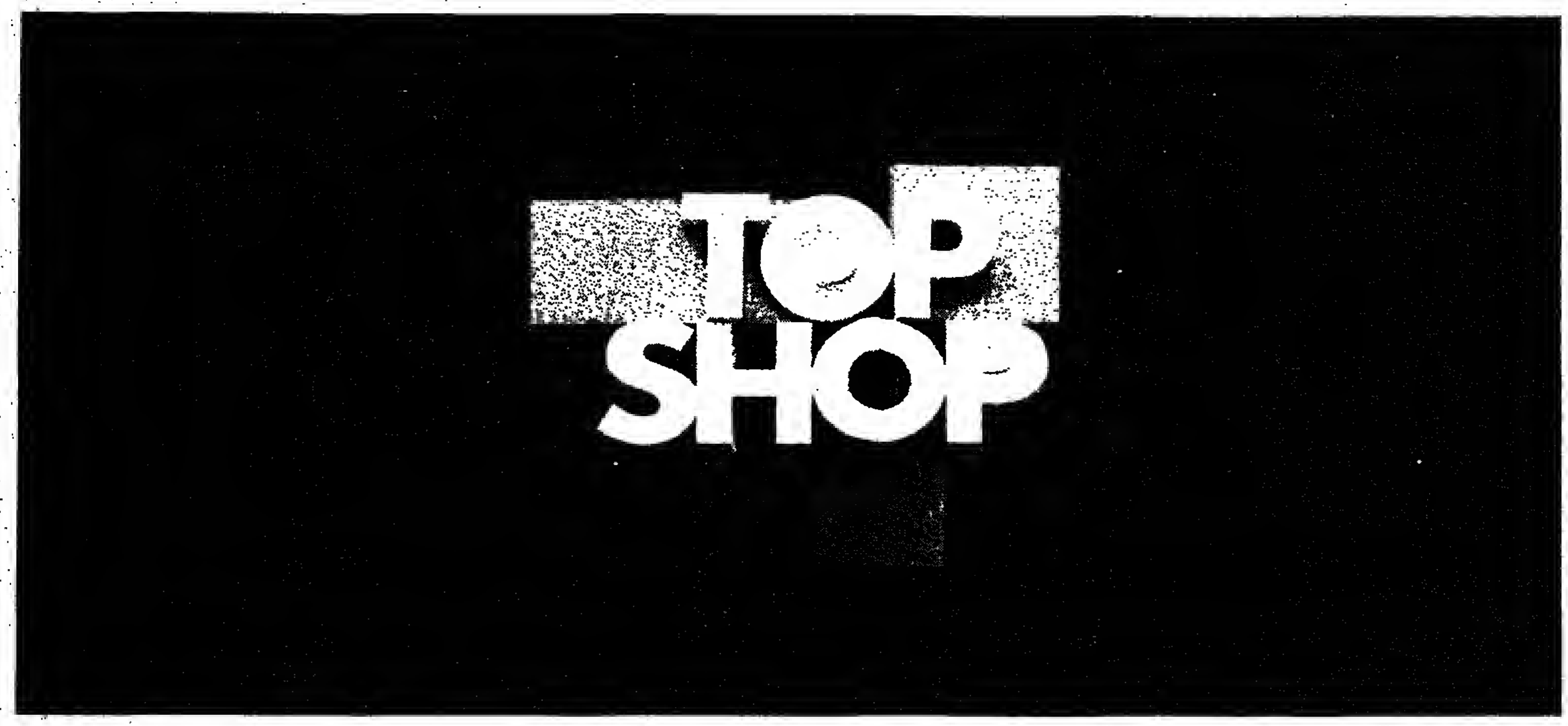
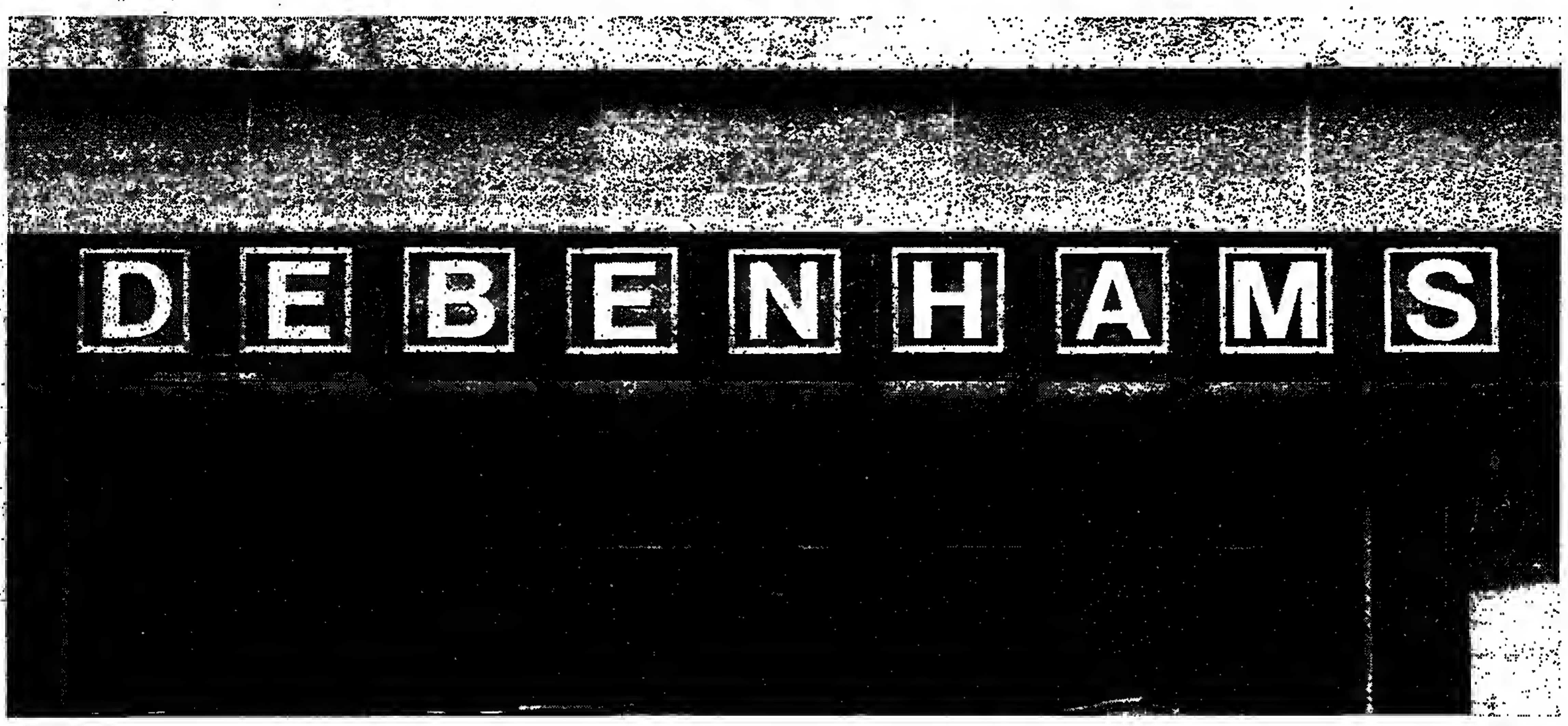


There is no better advertisement for our retailing flair.



There is no better advertisement for Debenhams lack of it.

The battle for the hearts and minds of Debenhams shareholders cannot simply be fought with arid pieces of paper.

The sharp end is on the sales floor.

As a shareholder, visit any Debenhams store and see where your money is being put to work.

And ask yourself just how hard it is working.

Do you see a store full of fresh ideas, innovative design, and sheer retailing flair?

Or is it a sprawling pot-pourri of departments more akin to "Are you being served"?

Then take a trip to a Top Shop.

It's welcoming. It's bright. It's lively.

And it's a testament to the ability of Ralph Halpern and his team to precisely target the market for the benefit of their shareholders.

At a glance you'll see why the Burton Group's retailing profits are way in excess of anything ever achieved by Debenhams current management.

At a glance you'll know why it's in your interests to accept the Burton offer.

With Halpern and Conran there will be life after Debenhams.

UK COMPANY NEWS

Stroud Riley declines to £0.6m as sales rise

DESPITE a good order book throughout the year, and an increase in turnover from £15.2m to £16.11m, the pre-tax result of £630,000 against a previous £916,000 was extremely disappointing, the directors of Stroud Riley Drummond state.

For the year to March 31 1985 they are holding the dividend payment et 2.25p net, with a same again 1.5p final proposed. Stated earnings for this Bradford-based worsted suitings and knitted fabrics manufacturer are shown down from 10.36p to 5.19p net per share, and on a nil basis down from 11.25p to to 6.27p.

Second half profits fell from £411,000 to £219,000 although turnover was ahead at £8.66m (£7.44m). The directors say that 1984-85 was a year of transition and the reorganisetions implemented are designed to improve the profitability of all divisions of the business.

The current yeer has started well and the board is confident that the changes mede will be beneficial for employees and shareholders in the future.

The remedial ection which the board felt necessary to take during the year included strengthening the management.

The group's trading profit emerged down at £1.06m (£1.18m). From this, interest took a higher £434,000 (£263,000). The tax charge rose from £172,000 to £251,000, leaving net profits almost halved at £379,000 (£744,000).

Extraordinary items took £175,000 (£398,000).

● comment

Stroud Riley could blame poor profits in 1983-84 on the fire at one of its major suppliers, and explain the dip at the interim stage last year in terms of rising raw meterial costs. But excuses for the disappointing second balf are thin on the ground, and the company has more or less admitted that most of the latest problems are of its own making. It says thet it has now made sweeping manegement changes, shifted the emhpasis in the knitting division, which made losses of £100,000 last year. from printed polyesters to fehric for sport and leisure clothes, and hopes that this division will start makiog money this year. Meanwhile the order book for worsted fehrics is full once again, and this time the quality of the orders is apparently better, containing plain work on longer runs which is more profitable. Gearing et 75 per cent is uocomfortably high, and it is difficult to see bow this can be reduced in the immediate future. Investors may want to wait to see some evidence of the changes working before buying the shares which et 42p are on an earniogs multiple of about 8.

Aaronite £0.3m in the red halfway and faces poor year

DUE PRINCIPALLY to a shortage of offshore related work in the six months to end-April 1985, turnover at Aaronite Group, supplier and cootractor of fire protection and insulating equipment, fell by 23 per cent, and losse of £298,000 were incurred, against profits last time of £347,000.

This Hull-based group saw its turnover dive from £3.12m to £2.41m in the first half, and Mr Graham Nielson, the cbairman, says that although the outlook for the medium- and long-term future is promising, these disappointing results meant thet a poor year as a wbole must be faced.

However, he says, the group is extremely well placed to capitalise on the high level of inquiries now coming from the North Sea end other geographical areas in which it operates.

Despite the results, the directors are maintaining the interim dividend at 1.4p net. Last year a total of 2.8p was paid on profits of £701,000. There was a loss per 25p share of 5.7p this time against earnings of 4.2p, and the group's shares, wbicb are traded on the USM, fell 13p yesterday to close at 80p.

Mr Neilson, wbo warned shareholders in his annual statement that activity had fallen, says that contracting is traditionally cyclical, but the directors are confident that 1986 will show the rewards expected from the development and expansion of the group.

For this half, he says that although a considerable quantity of construction industry work was carried out, the Billingsgate contract made a loss, and the returo from others is not yet edequate, but is gradually improving.

The awaited new offshore pletform starts in April bave resulted in the group securing some large orders, whicb begin in August and will run well into 1986. The order book currently stands at over £3.6m, compered with £2.5m et the same time last year.

There was no tax this time (£139,000) and after the dividend payout of £35,000 (£32,000) retained losses emerga at £333,000 (£189,000 profits).

F.T.-ACTUARIES SHARE INDICES
QUARTERLY VALUATION

The market capitalisations of th groups and sub-sections of the FT-Actuaries indices as at June 28, 1985 are expressed below in millions of pounds and as a percentage of the All-Share Index. Similar figures are also provided for the two preceding quarters.

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses denote number of stocks)		Market capitalisation as at June 28, 1985 (£m.)	% of all share index	Market capitalisation as at Mar. 29, 1985 (£m.) †	% of all share index †	Market capitalisation as at Dec 31, 1984 (£m.)	% of all share index
1 CAPITAL GOODS GROUP	(206)	32,284.3	16.26	35,068.6	17.28	63,373.0	18.46
2 Building Materials	(23)	4,890.1	2.46	4,995.8	2.46	3,072.1	2.62
3 Contracting, Construction	(29)	9,376.2	1.20	2,218.9	1.09	2,348.2	1.22
4 Electricals	(14)	1,116.3	0.56	1,326.0	0.65	1,279.0	0.66
5 Electronics	(57)	8,848.4	4.81	12,094.2	5.95	13,390.4	7.16
6 Mechanical Engineering	(63)	5,920.0	2.98	6,031.2	2.97	6,406.2	9.80
8 Metals and Metal Forming	(7)	371.3	0.34	748.5	0.37	638.6	0.33
9 Motors	(18)	1,939.5	0.98	2,006.8	1.00	1,877.1	0.97
10 Other Industrial Materials	(17)	3,828.1	6.93	5,642.0	2.78	5,181.8	6.37
21 CONSUMER GROUP	(173)	33,779.2	32.19	64,082.8	61.37	31,966.7	32.07
22 Brewers and Distillers	(26)	9,403.4	4.76	8,807.6	4.36	8,764.3	4.54
25 Food Manufacturing	(20)	7,868.7	3.96	8,136.1	4.01	7,378.3	3.82
26 Food Retailing	(14)	7,083.8	6.67	3,478.8	6.12	3,281.6	3.25
27 Health and Household Products	(9)	9,627.7	4.88	9,431.3	4.65	9,370.2	4.86
29 Leisure	(22)	3,874.7	1.95	4,178.0	2.06	4,398.5	9.28
32 Newspapers, Publishing	(19)	1,467.3	0.73	1,487.9	0.73	1,177.2	0.61
33 Packaging and Paper	(13)	1,963.6	0.98	9,154.8	1.06	1,968.9	1.00
34 Stores	(49)	14,044.0	7.07	14,858.1	7.32	13,904.3	7.16
35 Textiles	(18)	2,072.6	1.04	2,049.4	1.01	1,997.8	1.00
36 Tobacco	(3)	3,366.9	3.29	8,505.6	6.21	3,831.2	3.36
41 OTHER GROUPS	(101)	35,903.9	18.09	36,709.7	18.09	68,017.4	13.56
42 Chemicals	(12)	7,657.1	3.86	7,899.5	6.80	7,268.7	3.75
44 Office Equipment	(4)	865.3	0.43	617.2	0.46	799.7	0.41
45 Shipping and Transport	(12)	9,136.8	1.08	1,488.6	0.73	1,662.2	0.86
46 Miscellaneous	(54)	10,195.3	3.10	11,072.0	5.46	9,156.6	4.74
48 Telephone Networks	(2)	15,127.2	7.89	16,652.5	7.65	16,141.3	3.90
49 INDUSTRIAL GROUP	(485)	161,967.7	66.47	135,860.6	66.94	129,667.1	37.09
51 Oils	(17)	20,846.0	10.50	21,530.5	10.61	16,729.0	10.21
59 500 SHARE INDEX		132,816.7	76.97	167,691.1	77.66	149,686.1	77.30
61 FINANCIAL GROUP	(113)	60,967.7	13.38	29,911.3	14.74	29,188.3	13.10
62 Banks	(6)	8,869.6	4.16	7,326.7	6.61	7,171.6	3.71
65 Insurance (Life)	(9)	3,194.5	9.69	4,439.0	2.19	4,464.2	6.31
66 Insurance (Composite)	(7)	5,429.8	2.73	6,283.4	9.60	4,830.0	2.50
67 Insurance Brokers	(7)	1,846.3	0.23	2,088.3	1.08	1,796.3	0.96
68 Merchant Banks	(11)	1,326.0	0.37	1,313.2	0.63	1,376.7	0.87
69 Property	(50)	6,955.3	6.00	6,301.5	6.10	3,638.1	3.43
70 Other Financial	(96)	2,948.1	1.48	3,179.3	1.67	6,606.2	1.35
71 Investment Trusts	(106)	9,909.0	4.98	10,416.3	6.13	9,993.8	3.13
81 Mining Finance	(3)	2,726.7	1.37	6,632.5	1.64	9,949.7	1.53
91 Overseas Traders	(13)	2,132.0	1.08	1,905.0	0.94	1,814.1	0.94
99 ALL-SHARE INDEX	(739)	198,649.1	100.0	202,956.6	100.0	193,262.2	100.0

† After year-end changes

London & Continental £2.8m poster purchase

London and Continental Advertising Holdings, which last year hought one of Britain's leading outdoor advertising contractors, is expanding further in this field with the acquisition of the Paddington Poster Group for £2.83m.

The Paddington Group, which consists of H. E. Orme Ltd and G. F. Kruse Ltd, has over 2,000 advertising sites in north-west London, where it says it has a pre-eminent position.

London and Continental bought London & Provincial Posters from Reed International for almost £18m in June last year, in a deal which transformed the much much smaller London and Continental into one of the UK's two largest poster edvertising companies.

The company said its latest acquisition would increase its marketing position in the London area, which consistently ettracted the beaviest poster spend.

Paddington has net tangible assets of about £500,000, mainly in cash and property investments. It made pre-tax profits of £180,000 on turnover of £1,210,000 in the year to December 31. London and Continental expects that in a full year Paddington will contribute £350,000 to its trading profits.

London and Continental is paying £244,300 in cash and the remainder through a vendor placing of 1.97m new ordinary shares.

London and Continentel, which reported pre-tax profits last year of £1.62m on turnover of £16.43m, said trading to date was well up to expectations and the board expected to continue to increase dividends substantially. The integration and rationelisation of London & Provincial bad progressed very satisfactorily, it added.

Invent forecasts upsurge

BY LUCY KELLAWAY

Invent Energy, the largest oil company on the USM, yesterday forecast that profits for the year to May 31, 1985 would be at least £8.5m, compared to £2.1m in the first six months and a loss of £1.4m made in 1983/84. The shares rose by £1.25 to £11.50, close to their high point for the year.

Speaking at an analysts' meeting in London, the chairman, Mr D. Beevers said that the increase in profits was mainly a result of increased production in the Paris Basin by the French subsidiary Triton France, but that a full year's gas sales from the Netherlands had also helped. With Triton continuing to develop, Mr Beevers said be expects Invent to show a further advance this year.

The Villeperdue field in France, in which Triton and Total Exploration each own 50 per cent, has recently been estimated by independent consultants to contain 31m barrels of proven reserves and an additional 17m of probable reserves. The recovery factor used in the appraisal was half the historical average in the area, and the company says that the actual reserves consequently could be twice the estimate, and that initial drilling has proved promising.

Production from Villeperdue is currently running at 5,600 hpd; Triton and Total plan to start work on a £7m tunnel linking the field with the Nangis refinery.

Triton's total production is now above 8,000 hpd (in which Tritons own share is 50 per cent), and the company expects this to have almost doubled to 15,000 hy May 1986.

EuroFerries rights spurned

The majority of shareholders in European Ferries have failed to hack the company's £71.6m rights issue of convertible preference shares, launched to belp pay for new ships and port facilities.

Just 30.4 per cent of the issue bas been taken up. But this figure includes stock bought hy the company's two Canadian directors, Mr John Dick and Mr William Pauls, who together bave a 20.9 per cent stake in the group. Remaining shareholders took np just 12 per cent of their entitlement.

The issue, underwritten by merchant bank S G Warburg, has clearly been affected hy the fall in stock market prices in recent weeks.

Yesterday, European Ferries' shares closed down 1p at 117p, against a price of 142p before the issue was announced on May 29.

Debenhams

House of Fraser, the stores group, has increased to 10.39 per cent its atake in Debenhams, its High Street rival which is facing a takeover bid from Burton, backed by Hebltat-*Mothercare*.

Burton, meanwhile, is expected to announce shortly whether it will be raising its offer, wbich remains well below Debenhams' current share price.

Burton's shares and cash offer, adjusted for a one-for-five Debenhams serip issue whicb came into effect this week, was last night worth 279p a share. That compares with Debenhams closing price last night of 329p, up 2p on the day.

MAY & HASSELL—In yesterday's comment on the company's results the latest capital gearing figure should have read as 117 per cent and not 177 per cent.

Wootton

In a first step towards eventuel public flotation, Wootton Jeffreys, a privately-owned computer software, consultancy and distribution company, is raising £1.4m from institutional investors.

LADBROKE INDEX
928-932 (−12)
Based on FT Index
Tel: 01-427 4411

Normans climbs 25% to £2.4m

Normans Group, which claims to be the only UK food retailer of significant size in the retail warehouse business, achieved a 25 per cent increase from £1.95m to £2.43m in taxable profits for the year to March 30 1985.

Mr Michael Slocock, the chairman, says that 1984-85 was a year of significant development and growth, particularly for the retailing business.

Physical expansion of the retailing business, development of design concepts, improved computer facilities, and a strengthening of management represented a considerable investment in the future prosperity of the business, he says.

Discount retailing remained the dominant activity and this division achieved an increase in turnover of 26 per cent to £75.26m of which 15 per cent was contributed by new stores and 11 per cent represented organic growth of existing stores and inflation.

The number of stores trading was increased to 16 through the opening of three stores on the south coast, and the development of the product range made further progress.

The tea estate in Malawi had a record year—trading profits rose from £503,000 to £944,000—although earnings in the current year are likely to fall unless there is a recovery in recent auction price reductions.

Smaller group companies had mixed results. Purbeck Ceramics improved sales and profits through export orders, while Barnum's made a small but satisfactory contribution. Fieldsman Drinks, however, found market conditions tough and had a disappointing year.

Total group turnover was 27 per cent higher at £83.05m, against £65.31m, and generated trading profits of £3.18m (£2.42m)—head office costs and interest charges amounted to £755,000 (£468,000).

The dividend is being stepped up by 0.25p to 1.8p through a higher final payment of 0.9p. Earnings per 10p share were 5.38p (4.61p) basic and 4.98p (4.56p) fully diluted, after tax of £720,000 (£477,000).

Regarding prospects, Mr Slocock says the discount retailing business has made an encouraging start to the current year with sales for the first quarter ahead by over 20 per cent.

The balance sheet at the year end was liquid—cash balances less short-term borrowings came to £2m—placing the group, he says, in a strong position to take advantage of opportunities for expansion.

● comment

A healthy infusion from the tea business more than compensated for the squeezing of margins on the retailing side and enabled Normans to turn in a result roughly in line with forecasts. Not that the group's retailing margins were generally down: it is just that the rate of profits growth at existing stores was dampened by the start-up costs at Christchurch, Weymouth and Hove. Normans is well aware of the danger of over-reaching itself and this year is slowing down its expansion programme, with two new stores opening in Eastbourne and Poole. This should allow it to reap the benefits of its earlier investments and cover the anticipated downturn in earnings from tea. It would probably be unrealistic to expect more than a small rise in profits this time, however: such is the tightness of margins in discount food retailing that even a 25 per cent increase in sales could be wiped out by the decline in the high-margin tea business. In the circumstances £2.5m looks about right, which has the shares, down 2½p yesterday at 72p, on a prospective p/e ratio of about 14 after a 35 per cent tax charge.

Alexanders on course for return to profit

Alexanders Holdings, the largest Ford main dealer in Scotland, has considerably reduced first-half losses which reflects the board's confidence of a return to profit in the current year, says Mr J. B. Loudin, the chairman.

Although turnover for the six months to end-March 1985 was slightly lower at £25.2m, against £25.7m, losses before tax were reduced from £345,000 to £49,000.

Loss per share was 0.157p (1p)—the company does not pay interim dividends.

Of the three properties in Edinburgh which were surplus to requirements, the one at Calder Road has been let on favourable terms, an acceptable offer, subject to the adjustment of conditions, has been received for Silvermills and interest is being shown, by more than one party, in the site at Semple Street.

The Scottish division of Alexanders Contract Rental is operating profitably and expanding, while the English division continues to show excellent results, says Mr Loudin.

Significant advance made by Reed Executive

A SIGNIFICANT improvement has been seen in pre-tax profits at Reed Executive in the 12 months to March 30, 1985. Profits were £2.22m against £1.31m in the previous 15-month accounting period, from turnover up from £15.37m to £51.69m.

To emphasise the significance of the improvement in sales, the company has taken figures from unaudited management accounts for the 12-month period to March 31, 1984 for comparison purposes. These show turnover improved by 45.2 per cent for Reed Employment, and by 26.1 per cent for Medicare.

This expansion of the business has created 150 jobs.

The board says the thrust continues and business remains at a high level in both companies. Reed Employment has made considerable inroads into the competitors' share of the temporary staff market while maintaining the dominant position always enjoyed in the permanent staff recruitment sector.

It says it is absolutely committed to the continual improvement and sophistication of the company's services and has appointed a board colleague to "be responsible for seeking excellence in every facet of the business operations."

Medicare opened eight branches during the year and since the end of March, giving a total of 44 branches trading, with further openings planned during the rest of the year.

Since the last annual meeting, the management team has been strengthened with the appointment of Mr Christopher Kelly as managing director of Reed Employment, and Mr Rodney Harris as managing director of Medicare. Resolutions are to be placed before the annual meeting that they be elected to the board of Reed Executive.

Group operating profit for the year improved from the 15-month figure of £1.4m to £2.32m, which comprised £1.97m (£1.2m) from employment and travel agents, and £342,000 (£201,000) from the self-service drug stores.

The pre-tax figure was struck after interest charges down from £196,000 to £99,000—there was exceptional income last time of £104,000. Tax this time took £850,000.

The final dividend is raised from 0.5p to 2p net for a total of 3p (1.6p, which included a second interim of 1p). Stated earnings per 10p share were 12.06p compared with 12.43p in the previous 15 months.

Vantage assets at 56.8p

NET ASSET value per 10p share of Vantage Securities improved from 45.1p to 56.8p in the year to June 30 1985. For the six months to end-June earnings per share rose to 0.75p (0.64p) and the net interim dividend is being lifted from 0.35p to 0.4p.

A free issue of warrants to ordinary shareholders is also proposed on a one-for-five basis. Each warrant will entitle the holder to subscribe for one new ordinary on March 31 in any of the years 1986 to 1992 inclusive at a price equivalent to the net asset value per ordinary on July 31 1985.

Net revenue for the half year rose from £19,211 to £22,027 after tax of £9,439, against a previous £8,734.

RKT at £2.25m and up in current year

THE 18 months to end-March 1985 was a period of transition and reorganisation for Robert Kitchen Taylor, the London-based group with interests in textile manufacture and merchanting, and property investment and trading.

For the period, the group returned pre-tax profits of £2.25m and is paying the promised final dividend of 5.5p for a total of 16.5p net per 10p share.

This compares with profits of £1.98m and a total dividend of 11p for the previous 12 months.

The directors say current trading is showing a marked improvement on the previous six months.

Group turnover for the 18 months reached £31.55m (£23.62m for 12 months) and pre-interest profits totalled £3.19m (£2.35m).

Interest charges accounted for £939,000 (£420,000) and tax for £762,000 (£895,000). Minorities took £38,000 (£107,000).

Attributable profits emerged at £1.25m (£807,000) after taking account of extraordinary debits of £201,000 (£350,000).

Earnings per share came through at 37.3p (24.6p).

A number of steps have been taken to reshape the group to meet changing circumstances.

Underwear and sportswear capacity has been increased by the purchase of a manufacturing unit in Nottingham and a wholly-owned marketing subsidiary has been formed in the U.S. to cater for the group's growing and increasingly profitable sportswear business.

Elsewhere, a new company has been formed to extend the range of the merchanting division's activities and a major stake has been taken in Gecas, a computer services company, which is active in the textile and other areas familiar to the group.

Also a joint property development agreement has been made with NFC Properties which involves the development of one of RKT's sites.

Priest Marians

Priest Marians Holdings, engaged in property investment, achieved higher taxable profits of £22,475, against £17,789, in the year to end-February 1985.

Earnings per share came out at 9.25p (8.77p) after a tax charge this time of £1,577.

Kellock Trust profits fall as new accounts increase

Kellock Trust, which is involved in recourse factoring, has achieved lower pre-tax profits of £274,557 for the first half of 1985, compared with £302,944 previously. For the whole of 1984 profits of £726,000 were made.

Turnover of the group increased substantially from £1.63m to £2.17m, but this was largely attributable to higher interest rates, which increase the factoring discount charged to clients. In turn, the directors say, this was offset by interest payable on the group's own borrowings.

A record number of new accounts was opened during the period, but trading conditions made growth difficult for many clients and their progress has been less than was expected, the directors state. However, despite high rates of interest, most of them continue to make good use of factoring.

During the current year the group is investing heavily in both experienced staff and new computer equipment. This will increase the capacity for business and reduce operational costs, giving a solid base for future growth.

Taking these circumstances into account the directors say it is likely that the results for the current year will not be substantially ahead of 1984.

For this half the tax charge fell from £124,848 to £99,924. Minorities took a lower £87,502 (£93,000). Stated net earnings per 5p ordinary and 5p variable rate convertible preference share are shown higher at 0.69p (0.62p).

They still intend to acquire for cancellation both ordinary and variable rate convertible preference shares. None were acquired during the period under review.

Lancs. & London increase

HIGHER NET revenue of £136,000, against £11,000, was achieved by the Lancashire & London Investment Trust over the six months to end-June 1985.

Net asset value per 25p share at the end of the period amounted to 172.3p compared with 157.2p a year previous. An interim dividend of 2p (nil) is being paid, and with favourable projections for the full year, the directors expect to recommend a final of not less than 3.125p, equal to last year's single payment.

Income improved from £110,000 to £249,000, mainly due to a £109,000 rise to £145,000 in unfranked income arising mainly from funds realised from the sale of Canal Randolph shares.

Pre-tax revenue amounted to £215,000 (£33,000) after taking account of net receivable of £5,700 (payable £5,000) interest and administration expenses of £40,000 (£71,000).

After tax of £79,000 (£22,000), earnings per share were shown as 3.42p (0.27p).

Johannesburg Consolidated Investments Group

(All companies mentioned are incorporated in the Republic of South Africa)

Gold mining companies' reports for the quarter ended 30 June 1985 with comparative figures for the previous quarter

Randfontein Estates

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited
Issued capital: R12 227 106
(Divided into 6 113 553 shares of R2 each)

OPERATING RESULTS *(Unaudited)*	Quarter ended 30.06.85	Quarter ended 31.03.85	Eighteen months ended 30.06.85
Gold			
Ore milled–tons	1 456 000	1 423 000	8 610 000
Kilograms produced	8 154	7 969	47 189
Yield–grams per ton	5,6	5,6	5,48
Revenue–per ton milled	R104,75	R99,05	R92,30
Working cost–per ton milled	R44,31	R40,93	R38,14
Profit–per ton milled	R60,44	R58,12	R54,16
Uranium			
Tons treated	787 000	719 000	4 820 000
Kilograms produced	144 511	131 854	868 141
Yield–kilograms per ton	0,19	0,18	0,18

FINANCIAL RESULTS (R000) *(Unaudited)*	Quarter ended 30.06.85	Quarter ended 31.03.85	Eighteen months ended 30.06.85
Revenue from gold	152 524	140 955	794 740
Working costs	64 519	58 250	328 423
Profit from gold	88 005	82 705	466 317
Profit from uranium	206	793	5 603
Net sundry revenue	7 079	7 185	38 382
Profit before tax and State's share	95 290	90 683	510 282
Tax and State's share	17 590	32 741	155 418
Profit after tax and State's share	77 700	57 942	354 864
Capital expenditure	48 131	33 088	221 319
Dividends declared	48 908	–	113 100

Notes:
1. Gold price received: Rand per kg .... 18 451 — 17 893 — 16 758
2. Revenue from gold, the reported gold price and profit from uranium take account of currency forward transactions.
3. Working costs include a non-recurring amount of R1,45 m relating to the application of improved leave benefits to leave accrued prior to 1 April 1985.

DEVELOPMENT — Metres advanced	Quarter ended 30.06.85	Quarter ended 31.03.85
Cooke No. 1 Shaft	5 333	5 335
Cooke No. 2 Shaft	3 061	3 852
Cooke No. 3 Shaft	5 447	4 717
Total metres	13 841	13 904

SAMPLING RESULTS
The values shown in the following tabulations are the actual results of sampling reef development. No allowance has been made for any adjustments which may be necessary when computing ore reserves.

	Quarter ended 30.06.85 Shafts No. 1	No. 2	No. 3	Total	Quarter ended 31.03.85 Shafts No. 1	No 2	No. 3	Total
UE1a REEF								
Sampled–m	567	567	339	1 473	627	573	321	1 521
Channel width–cm	165	202	193	188	181	182	227	183
Average value:								
Gold–g/t	3,7	3,3	4,7	3,8	3,6	3,6	5,5	4,1
–cm-g/t	611	667	907	707	580	655	1 249	750
Uranium–kg/t	0,11	0,36	0,38	0,28	0,10	0,35	0,48	0,30
–cm-kg/t	18,06	72,72	73,34	52,08	16,10	83,70	108,96	54,90
E8 REEF								
Sampled–m	459	354	–	813	358	552	–	910
Channel width–cm	105	205	–	149	158	245	–	211
Average value:								
Gold–g/t	9,1	2,0	–	4,8	5,1	2,7	–	3,4
–cm-g/t	956	410	–	715	806	662	–	717
Uranium–kg/t	0,14	0,23	–	0,19	0,17	0,22	–	0,21
–cm-kg/t	14,64	47,15	–	28,31	26,86	53,90	–	44,31
E9Gd REEF								
Sampled–m	123	–	–	123	84	–	–	84
Channel width–cm	209	–	–	209	193	–	–	193
Average value:								
Gold–g/t	1,8	–	–	1,8	1,1	–	–	1,1
–cm-g/t	376	–	–	376	212	–	–	212
Uranium–kg/t	0,09	–	–	0,09	0,07	–	–	0,07
–cm-kg/t	18,81	–	–	18,81	13,51	–	–	13,51
KIMBERLEY REEF								
Sampled–m	96	42	–	138	–	33	–	33
Channel width–cm	284	129	–	237	–	181	–	181
Average value:								
Gold–g/t	0,3	2,8	–	0,7	–	0,8	–	0,8
–cm-g/t	85	361	–	166	–	145	–	145
Uranium–kg/t	0,01	0,21	–	0,05	–	0,05	–	0,05
–cm-kg/t	2,84	27,08	–	11,85	–	8,05	–	8,05

Note:
Development on the E9Gd reef forms part of the exploration programme.

ORE RESERVES AT 31 MARCH 1985
(Comparatives at 30 September 1983)

COOKE SECTION	No. 1 Shaft 1985	1983	No. 2 Shaft 1985	1983	No. 3 Shaft 1985	1983	Total 1985	1983
Tons–000's	1 909	3 261	4 778	4 181	2 414	1 841	8 101	9 283
Stope width–cm	142	134	163	141	210	175	168	144
Average value:								
Gold–g/t	9,2	9,6	8,3	10,2	5,0	7,2	7,6	9,4
–cm-g/t	1 306	1 286	1 353	1 438	1 050	1 260	1 277	1 354
Uranium–kg/t	0,12	0,16	0,25	0,32	0,37	0,47	0,26	0,29
–cm-kg/t	17,04	21,44	40,75	45,12	77,70	82,25	43,68	41,78

The 1985 ore reserves are related to pay limits calculated on the basis of a gold market price of R18 000 per kilogram (1983: R15 000 per kg) and certain assumptions as to uranium prices.

COMPARATIVE RESERVES (at various gold [illegible])

Gold market [illegible] R/kg	Tons 000's	Average Value Gold g/t	Average Value Uranium [illegible]
16 000	8 526	7,9	0,26
18 000	9 101	7,6	0,26
20 000	9 284	7,5	0,25

GOLD PRODUCTION
Ore milled from underground sources increased by 99 000 tons over the previous quarter and this was supplemented by 33 000 tons (99 000 tons) from old surface and tailings.

COOKE PLANTS
The gold plant continued to run efficiently at designed tonnage. Refurbishing work on the uranium plant was completed during the quarter and resulted in the plant achieving its rated capacity of 300 000 tpm in June.

DOORNKOP SECTION

Doornkop Shafts
The sinking of the Number 1 Shaft is progressing according to plan and has reached a depth of 691 metres (624 metres) below surface. The 86 level station excavation and construction are now complete. Preparation of the ground for the sinking of the No. 1 and No. 1A Ventilation Shafts has commenced.

Gold Plant and Surface Infrastructure
Construction of the surface infrastructure is on schedule. Commissioning of the 100 000 ton per month gold plant was undertaken in June 1985 and the introduction of reef into the plant will commence in July 1985.

Reef Intersection in No. 1 Shaft
The shaft intersected Kimberley Reef having a value of 3,8 g/t over 264 cm equal to 950 cm-g/t or 6,5 g/t over a selected mining width of 124 cm equal to 806 cm-g/t. The latter value compares favourably with the value indicated by surface boreholes.

CAPITAL EXPENDITURE (R000)	Quarter ended 30.06.85	Quarter ended 31.03.85	Eighteen months ended 30.06.85
Net expenditure: mining assets	48 126	32 629	220 817
: other assets	5	457	502
Capital commitments at end of period	64 992	37 850	64 992
LONG-TERM LOANS (R000)			
Balance at end of period	63 260	59 147	63 260
Interest paid during the period	350	148	920
Repayments due within one year	17 279	12 025	17 279

CONSUMER LOAN
The consumer loan has been converted to SA currency at the rate ruling at 28.06.85. R1 = $0,5015 (R1 = $0,5165 at 01.04.85). The long-term loan balance as well as the current portion of this loan are expressed net of the future tax effect of losses resulting from exchange differences.

FORWARD CONTRACTS
The company has entered into currency forward contracts in respect of a portion of its expected future gold and uranium revenue.

DIVIDEND
Dividend No. 100 of 800 cents was declared on 20 June 1985, payable to members registered at the close of business on Friday 9 August 1985. Dividend warrants payable on 6 September 1985 will be posted to members on 5 September 1985.

H J JOEL PROJECT
Following satisfactory results of drilling on the farms Leeuwbult 580, Leeuwfontein 256 and Leeufonteinswerft 51 in the district of Theunissen, OFS, the preparatory work for sinking two prospect shafts was commenced on 5 June 1985. The company has a 45% interest in the project.

On behalf of the Board
G. Y. NISBET
F. J. P. ROUX — Directors

Western Areas

Western Areas Gold Mining Company Limited
Issued capital: R40 306 950
(Divided into 40 306 950 units of stock of R1 each)

OPERATING RESULTS *(Unaudited)*	Quarter ended 30.06.85	Quarter ended 31.03.85	Eighteen months ended 30.06.85
Gold			
Ore milled–tons	915 000	837 000	5 530 000
Kilograms produced	4 026	3 682	25 371
Yield–grams per ton	4,4	4,4	4,5
Revenue–per ton milled	R80,90	R72,85	R77,65
Working cost–per ton milled	R82,98	R78,76	R71,12
Profit (Loss)–per ton milled	R(2,08)	R(5,91)	R6,53
Uranium			
Tons treated	178 000	148 000	999 000
Kilograms produced	85 865	67 902	459 170
Yield–kilograms per ton	0,48	0,47	0,46

FINANCIAL RESULTS (R000) *(Unaudited)*	Quarter ended 30.06.85	Quarter ended 31.03.85	Eighteen months ended 30.06.85
Revenue from gold	74 022	60 978	429 398
Working costs	75 928	65 928	393 285
Profit (Loss) from gold	(1 906)	(4 950)	36 113
Profit from uranium	4 108	5 420	23 568
Net sundry revenue	2 344	2 831	20 021
Profit before tax and State's share	4 546	3 301	79 702
Tax and State's share	(440)	(2 355)	889
Profit after tax and State's share	4 986	5 656	78 813
Capital expenditure	9 872	7 947	57 387
Dividends declared	4 031	–	25 192

Notes:
1. Gold price received: Rand per kg .... 16 093 — 15 451 — 15 765
2. Revenue from gold and the reported gold price take account of gold and currency forward transactions as well as the cost of acquiring gold put options. Profit from uranium takes account of currency forward transactions.
3. Working costs include a non-recurring amount of R1,58 m relating to the application of improved leave benefits to leave accrued prior to 1 April 1985.
4. Tax payable for the eighteen month period is in respect of an additional assessment raised by the tax authorities in respect of the previous financial period. A formal objection to this assessment has been lodged.

DEVELOPMENT — Metres advanced	Quarter ended 30.06.85	Quarter ended 31.03.85
Ventersdorp Contact Reef	8 102	4 662
Upper Elsburg Reefs	8 868	7 072
Middle Elsburg Reefs	2 417	2 215
Total metres	17 387	13 949

SAMPLING RESULTS
The values shown in the following tabulations are the actual results of sampling *reef development. No allowance has been made for any adjustments that may* be necessary when computing ore reserves.

Ventersdorp Contact Reef, Elsburg Massive Reefs and Elsburg Individual Reefs

	Quarter ended 30.06.85 VCR	EMR	EIR	Total	Quarter ended 31.03.85 VCR	EMR	EIR	Total
Sampled–m	1 326	993	1 665	3 984	1 056	549	1 512	3 117
Channel width–cm	95	226	228	183	86	228	213	172
Average value:								
Gold–g/t	15,5	4,3	5,0	6,6	14,1	5,0	5,1	6,5
–cm-g/t	1 473	972	1 140	1 208	1 213	1 140	1 086	1 135

Middle Elsburg Reefs	Quarter ended 31.06.85	Quarter ended 31.03.85
Sampled–m	945	891
Channel width–cm	178	171
Average value:		
Gold–g/t	2,9	4,4
–cm-g/t	510	752
Uranium–kg/t	0,51	0,45
–cm-kg/t	89,76	76,95

ORE RESERVES AT 31 MARCH 1985
(Comparatives at 30 September 1983)
Ventersdorp Contact Reef and Upper Elsburg Reefs

	Ventersdorp Contact Reef 1985	1983	Upper Elsburg Reefs 1985	1983	Total 1985	1983
Tons–000's	1 064	881	2 971	3 489	4 035	4 370
Stope width–cm	116	133	211	224	175	197
Average value:						
Gold–g/t	10,3	11,9	7,5	7,4	8,2	8,3
–cm-g/t	1 215	1 583	1 583	1 658	1 416	1 635

Middle Elsburg Reefs

	1985	1983
Tons–000's	666	1 037
Stope width–cm	159	158
Average value:		
Gold–g/t	5,2	4,8
–cm-g/t	827	758
Uranium–kg/t	0,81	0,91
–cm-kg/t	128,79	143,78

Note:
The 1985 ore reserves are related to pay limits calculated on the basis of a gold market price of R18 000 per kilogram (1983: R15 000 per kg) and certain assumptions regarding the uranium price. In calculating ore reserves the effect of gold and/or currency hedging transactions has been taken into account.

COMPARATIVE RESERVES (at various gold prices)

Gold Market Price R/kg	Tons 000's	Average Value Gold g/t
16 000	4 524	8,0
18 000	4 701	7,9
20 000	4 791	7,8

GOLD PRODUCTION
The tonnage treated from underground was supplemented by 45 769 tons (54 300) from surface sources.

No. 3 SUB-VERTICAL SHAFT
Development is in progress on 85, 90, 95 and 95A levels.

WATER CONTROL PROJECT
Discussions and negotiations continue with the authorities concerned and with parties holding interests in the area.

CAPITAL EXPENDITURE (R000)	Quarter ended 30.06.85	Quarter ended 31.03.85	Eighteen months ended 30.06.85
Net expenditure: mining assets	[illegible]	[illegible]	[illegible]
other assets	(20)	(846)	(1 118)
Capital commitments at end of period	8 133	7 460	8 133
LONG-TERM LOANS (R000)			
Balance at end of period	23 818	24 460	23 818
Interest paid during the period	1	2	12
Repayments due within one year	2 568	2 567	2 568

FORWARD CONTRACTS
The company has entered into forward contracts in respect of a significant portion of gold production in order to stabilise revenue and thereby reduce the company's vulnerability to operating losses. Forward contracts include both the forward sale of gold over the next twelve months and the purchase of put options over the next seven months that give the company a discretionary right to sell gold at a predetermined price during a specified period.
The company has entered into currency forward contracts in respect of a matching portion of its expected gold revenue.

DIVIDEND
Dividend No. 39 of 10 cents per unit of stock was declared on 20 June 1985, payable to members registered at the close of business on Friday, 8 August 1985. Dividend warrants payable on 2 September 1985 will be posted to members on 5 September 1985.

On behalf of the Board
G. Y. NISBET
F. J. P. ROUX — *Directors*

Elsburg

Elsburg Gold Mining Company Limited
Issued capital: R30 203 000
(Divided into 30 203 000 units of stock of R1 each)

	Six months ended 30.06.85	Eighteen months ended 30.06.85
DIVIDENDS DECLARED (R000)	1 963	12 270
per unit of stock (cents)	6,5	40.625

Stockholders are advised to study the operating results published by Western Areas Gold Mining Company Limited.

On behalf of the Board
G. Y. NISBET
F. J. P. ROUX — *Directors*

Copies of these reports are available on request from the offices of:
Barnato Brothers Limited
99 Bishopsgate, London EC2M 3XE, England

16 July 1985

Isis falls sharply but is set for recovery

ALTHOUGH pre-tax profits of the Isis Group are shown to have fallen by £776,000 to £1.36m for the 1984-85 year, Mr Lamont Park, the chairman, says the underlying trend in profitability remains firmly upwards.

He explains that as reported at the interim stage the outcome for the year was dependent on certain property transactions being completed before year-end.

In the event none of the transactions were completed by that date, although since then completion has taken place on one £3.2m transaction and a conditional contract for another £3m transaction has been exchanged.

Mr Park says that had the former been concluded in the time scale originally envisaged, the effect would have been to maintain the rising trend in the group's profit record.

Turnover for the year, to March 31, increased from £40.33m to £56.43m, an improvement of 40 per cent—Isis, based at Swindon, has interests in construction, property, distribution and engineering. Its shares are traded in the market made by Granville.

Mr Lamont says the construction division's performance as a whole was clearly disappointing, mainly as a result of heavy losses incurred in one particular region. He adds, however, that the contracts to which these losses relate have now been completed and that a strong recovery was seen in the final quarter.

The new year has begun at a satisfactory rate of profitability, workload is at a record level and profits should increase accordingly.

The pneumatics company made record pre-tax profits and continues to increase its market share.

Since the acquisition six months ago the motors division has produced very satisfactory results.

Prospects for the UK property division are encouraging, and it is expected that profitable development opportunities will arise in Canada as a result of the successful completion of Park Place. The revaluation of this property has given rise to a surplus of £1.86m.

The Business Expansion Scheme issue for Ettington Park Hotel was completed successfully in January and was oversubscribed. Isis retains 26 per cent of the issued share capital.

The hotel opened on schedule and is trading in line with expectations. In addition, a new hotel project has been identified and it is proposed that a BES issue will be launched early in 1986.

The international materials procurement business has been closed due to a serious decline in Middle East market demand.

In accordance with commitment made at the time of the rights issue in March 1984, the directors are proposing to declare a dividend of 5.5p per share.

The group will continue to seek opportunities in North America. A construction company based near Washington DC has been identified as a suitable acquisition and a contract has been negotiated, conditional upon shareholders' approval.

Second half setback for Brunning Group

Brunning Group, which has interests in advertising and public relations, suffered a fall in taxable profits from £452,000 to £377,000 in the year to end-March 1985.

All of the downturn stemmed from second-half trading which produced a profit of only £19,000 compared with £200,000.

The drop was largely due to two factors; the deferment of some fairly substantial business from March to April and failure to let the four vacant floors of Brunning House, says Mr Geoffrey Brunning, the chairman.

"The deferred business will, of course, benefit our current year's results and we are hopeful that before long we will be successful either in letting the vacant space in Brunning House or disposing of the lease.

"The advertising and marketing companies have had a satisfactory year in spite of the fact that some of the regional agencies were adversely affected by the prolonged miners' strike. Once that was over, all agencies reported brighter prospects with the acquisition of new business," he says.

Total group turnover was up from £48.69m to £56.77m. Profits were subject to tax of £98,000 (£145,000), after which earnings per share were stated at 9.1p (10p)—there were extraordinary debits of £12,000 (credits £52,000).

A higher dividend total of 4.9p (4.73p) is recommended through a final payment of 2.8p. Dividends will absorb £150,000 (£145,000), leaving a retained profit of £117,000 (£214,000).

Christies Art

Christies Contemporary Art, which was planning to come to the USM this summer, has had to re-think its proposed name change to Carlton Gallery. Carlton Communications had threatened legal action unless Christies chose a different name, as it objects strongly to such a similar name being applied to another quoted company.

Consequently, Christies has opted to be called CCA Gallerias, so as not to delay the timing of the flotation.

D. F. Bevan profits pass £0.5m and pays more

PRE-TAX profits on ordinary activities at D. F. Bevan (Holdings) increased from £358,000 to £507,000 in the year to March 31, 1985. At halfway, Bevan, which is engaged in metal merchanting, castings and general engineering, and steel stockholding, showed only a marginal improvement at £129,000.

Turnover for the year rose from £16.39m to £19.71m and the cost of sales was £16.89m compared with £13.94m. Distribution costs were higher at £881,000 against £774,000, and administration expenses rose from £1.02m to £1.09m, leaving operating profits of £858,000 (£664,000).

The final dividend is raised from 0.75p to 1p net for a total of 1.25p (1p).

The pre-tax figure was struck after interest charges of £351,000 against £306,000. After tax of £120,000 (£55,000) and dividends of £95,000 (£73,000), retained profits came out £62,000 higher at £292,000.

Denhams ahead in difficult market

IT HAS proved difficult to maintain margins in an extremely competitive market, Mr Arnold Denman, chairman and managing director of Denmans Electrical, says in his interim statement.

For the half year to end-March 1985 this distributor of electrical equipment to contractors, industrial and commercial users, retailers and other trade buyers, has announced slightly improved pre-tax profits of £492,000 compared with £475,000.

The interim dividend is maintained at 1.25p net. Total dividends last year amounted to 3.5p on taxable profits of £948,000. Net earnings per share for this half are shown as 6.7p (6.5p).

The chairman says that some progress has been made in improving margins in those areas providing poor returns, but this has been counteracted by a sluggish performance in established areas.

Looking ahead, he adds that there is no immediate sign of an improvement in the market generally and the second half figures are likely to continue flat. However, the group is in a strong financial position and has a number of new developments which have yet to come to fruition.

Turnover for the first half moved ahead from £8.95m to £9.69m. The tax charge is slightly more at £216,000 (£208,000), leaving net profits up from £267,000 to £276,000.

Last time there was an extraordinary £70,000 charge, being the cost of flotation on the USM in February 1984. After a similar dividend absorption of £51,000 retained profits emerge higher at £225,000 against £146,000.

Denmans, which has close company status, is based in Bristol and has branches throughout the South West and East and West Midlands.

Robert Goff nears I£1m

BY BRENDAN KEENAN IN DUBLIN

THE RAPID development of the Irish thoroughbred industry in recent years, partly under the stimulus of tax incentives, has been reflected in the annual results of Robert J. Goff and Co, the leading Irish bloodstock auctioneer.

Pre-tax profits, at almost I£1m, were up 25 per cent on a turnover ahead by 30 per cent.

Investors from the Middle East and the U.S. have been keeping more top class horses in Ireland to take advantage of the tax breaks on stallion fees.

Goff's set a new record during the year when Sheikh Mohammed al Maktoum bid 3.1m Irish guineas for a yearling.

However, Mr Patrick McGrath, Goff's chairman, complains in his report that the tax regime applied to the company is at variance with the ambition to develop the industry. The accounts show an effective corporation tax rate of almost 60 per cent and Mr McGrath says the company is examining this area in depth to see if some alleviation is possible.

The company simplified its capital structure during the year by eliminating the preference shares and subdividing the 20p shares into 10p units.

Goff's issued capital now consists of over I£3.2m in 10p shares. The directors are recommending a dividend of 4.5 per cent on the ordinaries.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Cardiff Property.

Finals: Anderson Strathclyde, Charter Consolidated, Christie-Tyler, Crown House, Oxena, Fleming Technology Investment Trust, General Consolidated Investment Trust, Greig Shipping, Philip Harris, Mayfair and City Properties, Moorgate Investment Trust, William Ransom.

FUTURE DATES

Interims—	
Adams and Gibbon	July 25
BICC	Sept 4
Law Debenture	Aug 6
Lada Investment Trust	July 23
Meggitt	July 25
Finals—	
Flextech	July 26
Gnome Photographic Products	Aug 8
Great Universal Stores	July 18
Kenyon Securities	July 24
Osprey Communications	July 25
TR Trustees	July 24
Thorpac	July 19
Unitech	Aug 6
Wagon Industrial	July 18
Wintrust	July 26

BASE LENDING RATES

A.B.N. Bank	12 %
Allied Dunbar & Co	12 %
Allied Irish Bank	12 %
American Express Bk.	12½%
Henry Ansbacher	12 %
Amro Bank	12 %
Associates Cap. Corp.	12 %
Banco de Bilbao	12 %
Banco Hapoalim	12 %
BCCI	12½%
Bank of Ireland	12 %
Bank of Cyprus	12 %
Bank of India	12 %
Bank of Scotland	12 %
Banque Belge Ltd.	12 %
Barclays Bank	12 %
Beneficial Trust Ltd.	13½%
Brit Bank of Mid. East	12 %
■ Brown Shipley	12½%
CL Bank Nederland	12 %
Canada Permanent	12 %
Cayzer Ltd.	12 %
Cedar Holdings	13 %
■ Charterhouse Japhet	12 %
Choulartons	13 %
Citibank NA	12 %
Citibank Savings	¶12½%
City Merchants Bank	12½%
Clydesdale Bank	12 %
C. E. Coates & Co. Ltd.	13 %
Comm. Bk. N. East	12 %
Consolidated Credits	12½%
Co-operative Bank	*12 %
The Cyprus Popular Bk	12 %
Duncan Lawrie	12 %
E. T. Trust	13 %
Exeter Trust Ltd.	12½%
First Nat. Fin. Corp.	13½%
First Nat. Secs. Ltd.	13 %
■ Robert Fleming & Co	12 %
Robert Fraser & Ptns.	13 %
Grindlays Bank	‡12 %
■ Guinness Mahon	12 %
■ Hambros Bank	12 %
Heritable & Gen. Trust	12 %
■ Hill Samuel	§12 %
C. Hoare & Co.	†12 %
Hongkong & Shanghai	12 %
Johnson Matthey Bkrs.	12½%
Knowsley & Co. Ltd.	12½%
Lloyds Bank	12 %
Edward Manson & Co.	13½%
Meghraj & Sons Ltd.	12 %
Midland Bank	12 %
■ Morgan Grenfell	12 %
Mount Credit Corp. Ltd.	12 %
National Bk. of Kuwait	12 %
National Girobank	12 %
National Westminster	12 %
Northern Bank Ltd.	12 %
Norwich Gen. Trust	12 %
People's Trust	13 %
PK Finans. Intl. (UK)	13 %
Provincial Trust Ltd.	13½%
R. Raphael & Sons	12 %
Roxburghe Guarantee	13 %
Royal Bank of Scotland	12 %
Royal Trust Co. Canada	12 %
■ J. Henry Schroder Wagg	12 %
Standard Chartered	‖12 %
TCB	12 %
Trustee Savings Bank	12 %
United Bank of Kuwait	12 %
United Mizrahi Bank	12 %
Westpac Banking Corp.	12 %
Whiteaway Laidlaw	12½%
Williams & Glyn's	12 %
Yorkshire Bank	12 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.75%, 1 month 9.5%. Top Tier—£2,500+ at 3 months' notice 12%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 8¾% gross.
‡ 21-day deposits over £1,000 10%.
§ Mortgage base rate.
¶ Demand deposits 8¾%.
** See Provincial Trust Ltd.

We apologise to readers for the inaccuracies in the Base Rate Table for Citibank N.A. on Monday 15th and Tuesday 16th July 1985. The Rate should have read 12% not 12½% as printed.

Anglovaal Group

All companies mentioned are incorporated in the Republic of South Africa.
All financial figures for the quarter and progressive figures for the current year to date are unaudited.
Rate of exchange on 30 June 1985, R1,00 = £0,38, £1,00 = R2,61.
Development results given are the actual sampling results. No allowance has been made for adjustments necessary in the valuation of the corresponding ore reserves.
Shareholders requiring copies of these reports regularly each quarter, should write to the Secretaries, Anglo-Transvaal Trustees Limited, 295 Regent Street, London W1R 8ST.

Mining companies' reports – Quarter ended 30 June 1985

Hartebeestfontein Gold Mining Co Ltd

Reg. No. 05/22926/06

Issued capital: 112 000 000 shares of 10 cents each

	Quarter ended 30 June 1985	Quarter ended 31 March 1985	Financial year ended 30 June 1985
Operating results			
Gold			
Ore milled .... t	754 000	782 000	3 093 000
Gold recovered .... kg	6 831,50	7 663,60	30 126,10
Yield .... g/t	9,1	9,8	9,7
Revenue .... R/t milled	177,60	181,84	172,55
Costs .... R/t milled	85,53	78,50	79,74
Profit .... R/t milled	92,07	103,34	92,81
Revenue R000	133 909	142 202	533 700
Costs R000	64 436	61 388	246 643
Profit R000	69 423	80 814	287 057
Uranium oxide			
Pulp treated .... t	754 000	782 000	3 093 000
Oxide produced .... kg	100 745	108 305	431 065
Yield .... kg/t	0,13	0,14	0,14
Financial results	R000	R000	R000
Working profit – gold mining	69 423	80 814	287 057
Profit from sales of uranium oxide, pyrite and sulphuric acid	10 931	5 472	28 086
Non-mining income	6 502	11 263	36 888
	86 856	97 549	352 031
Interest paid, stores adjustment and service benefits	1 549	422	2 758
Net royalty payments	3 379	3 458	14 003
Profit before taxation and State's share of profit	84 928	93 669	335 270
Taxation and State's share of profit	48 409	62 389	213 856
Profit after taxation and State's share of profit	36 519	31 280	121 414
Capital expenditure	15 182	5 978	33 160
Appropriation for loan repayments	786	236	2 597
Dividends	53 200	–	89 600
	69 168	6 215	125 357
State loan levy refund	6 407	–	6 407
	62 761	6 215	118 950
Development			
Advanced .... m	6 073	7 409	29 207
Sampling results on Vaal Reef			
Sampled .... m	640	942	2 826
Channel width .... cm	63	80	69
Channel value – gold .... g/t	27,5	24,7	24,7
.... cm.g/t	1 741	1 974	1 709
– uranium oxide .... kg/t	0,60	0,42	0,46
.... cm.kg/t	38,04	33,17	32,00

Operations
Labour unrest at the mine had an adverse effect on production during the quarter.

Ore reserve
The total ore reserve at 30 June 1985, based on a gold price of R19 562 per kilogram, is estimated as follows:

Tonnage .... t	16 334 000
Stoping width .... cm	118
Value – gold .... g/t	11,3
.... cm.g/t	1 340
– uranium oxide .... kg/t	0,22
.... cm.kg/t	25,71

Financial
In terms of the Company's articles of association, the directors' borrowing powers are limited to R50 000 000. At 30 June borrowings totalled R9 949 000 (1984: R16 124 000) of which long-term borrowings amounted to R6 909 000 (1984: R12 534 000) and short-term to R3 040 000 (1984: R3 590 000).

Hedging transactions
The Company has sold portions of its future gold production on a fully-hedged basis as detailed below:

Quarter ending	Kg of gold sold	Average realisable value per kg sold
September 1985	1 399,7	R21 035
December 1985	559,9	R23 647

Revenue derived from the sale of gold takes into account the results of hedging transactions.

Dividend
Final dividend No. 59 of 47,5 cents per share was declared in June 1985, making a total of 80 cents per share for the financial year.

Capital expenditure
Outstanding commitments at 30 June 1985 are estimated at R3 473 000 (31 March 1985: R8 211 000).

For and on behalf of the board
B.E. Hersov *Directors*
W.W. Malan

Directors: B.E. Hersov O.M.S. (Chairman), B.L. Bernstein Hon LL.D., D.J. Crowe*, W.B. Evans, E.P. Gush, W.W. Malan, Clive S. Menell, T.L. Pretorius, R.J. van Emmenis
Alternate directors: J.H.J. Burke, P.J. Eustace, M.D. Henson, C.L. Sunter, J.E. van Niekerk, R.A.D. Wilson
*British

17 July 1985

Prieska Copper Mines (Pty) Ltd

Reg. No. 68/03032/07

Issued capital: 54 000 000 shares of 50 cents each

	Quarter ended 30 June 1985	Quarter ended 31 March 1985	Financial year ended 30 June 1985
Operating results			
Ore milled .... t	716 000	759 000	2 929 000
Concentrates produced			
Copper .... t	16 377	26 822	92 760
Zinc .... t	31 516	38 522	149 343
Concentrates despatched			
Copper .... t	20 425	28 746	97 878
Zinc .... t	31 504	40 295	173 604
Financial results	R000	R000	R000
Operating profit	15 963	20 541	69 362
Non-mining income	3 812	2 116	9 905
	19 775	22 657	79 267
Interest paid	1	–	6
Profit before taxation	19 774	22 657	79 261
Taxation	11 163	12 872	44 888
Profit after taxation	8 611	9 785	34 373
Capital recoupments	(40)	–	(60)
Dividends	–	–	18 200
	(40)	–	18 140
Development			
Advanced .... m	418	383	3 090

Financial
Despatches, which vary from quarter to quarter, are brought to account at their estimated recoverable value. Operating profit takes into account adjustments following final price determinations on despatches made during previous quarters.

Capital expenditure
There were no outstanding commitments at 30 June 1985 (31 March 1985: Nil).

For and on behalf of the board
D.J. Crowe *Directors*
R.A.D. Wilson

Directors: D.J. Crowe** (Chairman), B.E. Hersov O.M.S., R.L. L'Esperance*, Clive S. Menell, P.J. Pednault***, O.M. Pogson*, F. Sherry*, R.A.D. Wilson
Alternate directors: D.A. Blane, A.J. Binns, M.D. Henson, W.W. Malan
*American **British ***Canadian

17 July 1985

Eastern Transvaal Consolidated Mines Ltd

Reg. No. 01/06442/06

Issued capital: 4 316 678 shares of 50 cents each

	Quarter ended 30 June 1985	Quarter ended 31 March 1985	Financial year ended 30 June 1985
Operating results			
Ore milled .... t	90 100	82 000	340 600
Gold recovered .... kg	820,47	746,33	3 323,88
Yield .... g/t	9,1	9,1	9,8
Revenue .... R/t milled	178,34	189,83	185,83
Costs .... R/t milled	*86,28*	*97,01*	*85,36*
Profit .... R/t milled	92,06	92,82	100,47
Revenue R000	16 068	15 566	63 293
Costs R000	7 774	7 955	29 072
Profit R000	8 294	7 611	34 221
Financial results	R000	R000	R000
Working profit – gold mining	8 294	7 611	34 221
Non-mining income	898	814	2 951
	9 192	8 425	37 172
Prospecting expenditure	1 122	795	3 181
Stores adjustment	226	–	226
Profit before taxation	7 844	7 630	33 765
Taxation	1 188	3 721	13 599
Profit after taxation	6 656	3 909	20 166
Capital expenditure	4 943	1 813	11 254
Dividends	5 395	–	8 633
	10 338	1 813	19 887
State loan levy refund	443	–	443
	9 895	1 813	19 444
Development			
Advanced .... m	968	980	4 398
Sampling results:			
Sampled .... m	638	496	2 331
Channel width .... cm	222	219	217
Channel value .... g/t	3.4	3.0	3.5
.... cm.g/t	744	650	767

Operations
Gold recovery and yield during the quarter were adversely affected by mechanical problems experienced with the fluo-solids roaster which restricted the volume of concentrates treated. Certain modifications are being planned to overcome these problems.

Ore reserve
The total ore reserves at all mines at 30 June 1985, based on a gold price of R16 562 per kilogram, are estimated as follows:

Tonnage .... t	1 420 000
Stoping width .... cm	182
Value .... g/t	15,6
.... cm.g/t	2 845

Hedging transactions
The Company has sold portions of its future gold production on a fully-hedged basis as detailed below:

Quarter ending	Kg of gold sold	Average realisable value per kg sold
September 1985	84,0	R20 402

Revenue derived from the sale of gold takes into account the results of hedging transactions.

Dividend
Final dividend No. 70 of 125 cents per share was declared in June 1985, making a total of 200 cents per share for the financial year.

Capital expenditure
Outstanding commitments at 30 June 1985 are estimated at R1 901 000 (31 March 1985: R1 599 000).

For and on behalf of the board
R.A.D. Wilson *Directors*
D.J. Crowe

Directors: R.A.D. Wilson (Chairman), D.J. Crowe*, M.D. Henson, B.E. Hersov O.M.S., W.W. Malan, Clive S. Menell, J.E. van Niekerk
*British

17 July 1985

Village Main Reef Gold Mining Co (1934) Ltd

Reg. No. 01/00235/06

Issued capital: 8 068 446 shares of 12,5 cents each

	Quarter ended 30 June 1985	Quarter ended 31 March 1985	Financial year ended 30 June 1985
Operating results			
Sands treated .... t	194 000	184 000	780 400
Gold recovered .... kg	133,08	133,34	522,78
Yield .... g/t	0,69	0,72	0,67
Revenue .... R/t treated	12,96	12,62	11,73
Costs .... R/t treated	9,75	9,69	9,16
Profit .... R/t treated	3,21	2,93	2,57
Revenue R000	2 515	2 323	9 154
Costs R000	1 893	1 783	7 149
Profit R000	622	540	2 005
Financial results	R000	R000	R000
Working profit	622	540	2 005
Non-mining income	158	158	554
	780	698	2 559
Royalties paid	42	35	214
Profit before taxation	738	663	2 345
Taxation	103	336	874
Profit after taxation	635	327	1 471
Capital expenditure	459	52	642
Dividend	607	–	607
	1 066	52	1 249

Gold revenue
The Company's practice is to bring pressure cyanidation gold to account on despatch of the loaded carbon. At the end of June 1985, approximately 46 kilograms of gold loaded onto carbon were awaiting despatch.

Hedging transactions
The Company has sold portions of its future gold production on a fully-hedged basis as detailed below:

Quarter ending	Kg of gold sold	Average realisable value per kg sold
September 1985	15,6	R20 389

Revenue derived from the sale of gold takes into account the results of hedging transactions.

Dividend
Dividend No. 43 of 10 cents per share was declared in June 1985.

Capital expenditure
Outstanding commitments at 30 June 1985 are estimated at R96 000 (31 March 1985: Nil).

For and on behalf of the board
R.A.D. Wilson *Directors*
D.J. Crowe

Directors: R.A.D. Wilson (Chairman), D.J. Crowe*, C.T. Fenton, M.D. Henson, W.W. Malan
Alternate directors: A.H. Munro, J.E. van Niekerk
*British

17 July 1985

Loraine Gold Mines, Ltd

Reg. No. 05/23139/06

Issued capital: 16 386 886 shares of R1,00 each

	Quarter ended 30 June 1985	Quarter ended 31 March 1985	Nine months ended 30 June 1985
Operating results			
Ore milled .... t	408 000	408 000	1 210 000
Gold recovered .... kg	2 301,12	2 325,60	6 837,57
Yield .... g/t	5,6	5,7	5,7
Revenue .... R/t milled	109,05	107,55	108,27
Costs .... R/t milled	84,92	80,62	81,85
Profit .... R/t milled	24,13	26,93	26,42
Revenue R000	44 494	43 879	131 001
Costs R000	34 648	32 892	99 044
Profit R000	9 846	10 987	31 957
Financial results	R000	R000	R000
Working profit – gold mining	9 846	10 987	31 957
Profit from sales of uranium oxide, pyrite and treatment of stockpiled calcines	532	375	1 393
Non-mining income	2 824	2 060	5 723
	13 202	13 422	39 073
Interest paid	440	674	1 754
Tributing royalty payable	13	14	73
Profit	12 749	12 734	37 246
Capital expenditure	665	378	1 680
Appropriation for loan repayments and adjustments for currency fluctuations	482	5 623	8 402
	1 147	6 001	10 082
Development			
Advanced .... m	8 348	7 440	22 786
Sampling results:			
Kimberley reefs			
Sampled .... m	194	170	542
Channel width .... cm	56	28	39
Channel value .... g/t	11,4	20,2	18,5
.... cm.g/t	639	621	727
Basal reef			
Sampled .... m	374	236	1 146
Channel width .... cm	8	6	8
Channel value .... g/t	87,2	79,5	78,9
.... cm.g/t	706	652	655
Eldorado reefs			
Sampled .... m	1 092	630	2 526
Channel width .... cm	98	80	92
Channel value .... g/t	15,7	9,2	15,3
.... cm.g/t	1 535	741	1 401
Total – all reefs			
Sampled .... m	1 660	1 036	4 214
Channel width .... cm	73	55	62
Channel value .... g/t	17,1	12,5	17,9
.... cm.g/t	1 244	685	1 112

Financial
In terms of the Company's articles of association, the directors' borrowing powers are limited to R35 000 000. At 30 June borrowings totalled R13 702 000 (1984: R14 949 000) of which long-term borrowings amounted to R5 706 000 (1984: R4 986 000) and short-term to R7 996 000 (1984: R9 963 000).

Hedging transactions
The Company has sold portions of its future gold production on a fully-hedged basis as detailed below:

Quarter ending	Kg of gold sold	Average realisable value per kg sold
September 1985	1 492,6	R22 961
December 1985	1 586,1	R24 843
March 1986	1 461,7	*R23 493*
June 1986	839,6	R23 146

Revenue derived from the sale of gold takes into account the results of hedging transactions.

Taxation
No taxation or State's share of profit was payable as the Company has assessed losses.

Capital expenditure
Outstanding commitments at 30 June 1985 are estimated at R902 000 (31 March 1985: R713 000).

For and on behalf of the board
D.J. Crowe *Directors*
R.A.D. Wilson

Directors: D.J. Crowe* (Chairman), F. Bentley*, W.B. Evans, B.E. Hersov O.M.S., G.C. Kraft, W.W. Malan, Clive S. Menell, S.W. van der Colf, R.A.D. Wilson, G.S. Young
Alternate directors: F.S. Clarke, P.J. Eustace, P.J.S. Reid, P. Taljaard
*British

17 July 1985

Consolidated Murchison Ltd

Reg. No. 05/04776/06

Issued capital: 4 180 000 shares of 10 cents each

	Quarter ended 30 June 1985	Quarter ended 31 March 1985	Eighteen months ended 30 June 1985
Financial results	R000	R000	R000
Sales of antimony concentrates less realisation charges	8 486	6 484	45 526
Gold sales	2 890	4 577	18 225
Sundry mining income	63	16	181
	11 439	11 077	63 932
Working costs	8 909	6 354	36 396
Working profit	2 530	4 723	27 536
Non-mining income	676	233	2 387
	3 206	4 956	29 923
Prospecting expenditure, interest paid and stores adjustment	544	203	1 933
Profit before taxation	2 662	4 753	27 990
Taxation	(951)	2 413	7 329
Profit after taxation	3 613	2 340	20 661
Capital expenditure	4 479	218	13 973
Dividends	1 248	–	5 408
	5 727	218	19 381

Gold revenue
The Company's practice is to bring pressure cyanidation gold to account on despatch of the loaded carbon. At the end of June 1985, approximately 4 kilograms of gold loaded onto carbon were awaiting despatch.

Financial
The revenue from the sale of antimony concentrates brought to account each quarter is based on actual shipments made, which can vary considerably from quarter to quarter. The Company has entered into currency forward contracts in respect of a portion of its revenue from future sales of antimony concentrates over the next twelve months.

Dividend
Final dividend No. 75 of 30 cents per share was declared in June 1985, payable in August 1985, making a total of 130 cents per share for the eighteen months ended 30 June 1985.

Capital expenditure
Outstanding commitments at 30 June 1985 are estimated at R4 194 000 (31 March 1985: R5 950 000), all of which relates to the Monarch East project.

For and on behalf of the board
C. Carrington *Directors*
R.A.D. Wilson

Directors: C. Carrington* (Chairman), R.A.D. Wilson (Deputy Chairman), B.J. Davison (Managing Director), R.C. Barham, V.G. Bray, F.J. Crowhurst*, D.J. Crowe*, B.E. Hersov O.M.S., W.W. Malan, Clive S. Menell
Alternate directors: P.W.J. Coomont
*British †Dutch

17 July 1985

FT COMMERCIAL LAW REPORTS

Trader entitled to tax relief on cars owned by manufacturer

FRASER (HM INSPECTOR OF TAXES) v LONDON SPORTS CAR CENTRE LTD

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Neill and Lord Justice Nourse): July 10 1985

A COMPANY which trades with stock owned by another may be entitled to stock relief for corporation tax purposes if, on the facts of the particular case, the stock is in reality sold by the company in the ordinary course of its trade.

The Court of Appeal so held when dismissing an appeal by the Inland Revenue from Mr Justice Nicholls's judgment upholding a decision of the Special Commissioners that the London Sports Car Centre was entitled to stock relief on cars with which it traded but which it did not own.

* * *

Paragraph 9(1) of Schedule 5 to the Finance Act 1976 provides: "(1) Where a company carries on a trade in respect of which it is within the charge to corporation tax . . . and — (a) the value of its trading stock at the end of a period of account . . . exceeds (b) the value of its trading stock at the beginning of that period . . . the company shall . . . be entitled to relief . . . "

Paragrapb 29: "(1) Subject to the provisions of this paragrapb . . . 'trading stock' means property . . . real or personal, being either—(a) property sucb as is sold in the ordinary course of trade . . . "

*

LORD JUSTICE NOURSE, giving the judgement of the court, said that by an agreement dated October 1 1974 between the Centre and Alfa Romeo, cars were not delivered to the Centre until it had paid Alfa for everything except value added tax (VAT) and car tax.

After delivery e car was completely at the disposal of the Centre, by sale or otherwise, unless and until the agreement was determined by either party or the Centre went into liquidation or was in default under the agreement.

Although Alfa remained owner until tha occurrence of events specified in the agreement, the car was not in any real aense available to it or at its disposal. Also, although the Centre was entitled to return the car to Alfa at any time during the currency of the agreement that would, in practice, save in exceptional circumatances, have led to determination of the argeement by Alfa.

The sole purpose of the arrangement was to defer payment of VAT and car tax until a car was sold to a customer of the Centre.

In practice it was the Centre and not Alfa which retained the benefit of any rise in the price of the car between delivery and sale to a customer.

The question was whether e trader's entitlement to stock relief under the Finance Act 1976 depended on his being owner of the stock. Both the Special Commissioners and Mr Justice Nicholls had held that it did not.

In their view a trader who did not own the stock was entitled to relief if it was stock with which he carried on his trade. The Revenue maintained that that view was incorrect.

Anyone who looked at the arrangement in the present case without the material provisions of the 1976 Act would conclude that it enabled the Centre to trade in the cars as soon as they had been delivered to it. He would be rather startled by the suggestion that the cars did not become part of the Centra's trading stock.

But the Revenue said that was Parliament'a intention as expressed in the Act. It submitted that if the definition of trading stock was incorporated into paragraph 9(1)(a) and (b) of Schedule 5 to the Act, those provisions referred to "its" property sold in the ordinary course of its trade.

Then it was said thet "property" was e word wbich connoted ownership and that "its trading stock" referred only to trading stock owned by the centre.

The fallacy in that submission was the assumption that "property" as it appeared in paragraph 29(1) connoted ownership. It only did that wben governed by some other word, for example a possessive pronoun.

In paragrapb 29(1) it was not so governed. Its function there was not to describe something which was possessed by some particular trader but, by making use of the well-known terms of "real property" and "personal property," to identify those things whicb, subject to subparagraph (2), were embraced in the succeeding words in (a) and (b).

Clearly it inclnded the cars in the present case.

The correct course was to read paragraph 9(1) as referring to "its cans sucb as were sold in the ordinary course of its trade."

Mr Park said those words still referred only to cars owned by the taxpayer.

The court disagreed. Once one got rid of the word "property" the reasoning of the Commissioners and of Mr Justice Nicholls on that point was unanswerable.

Mr Park submitted that what the Centre owned was not the cars but choses in action to recover in certain events the sums which it had paid to Alfa under the agreement, and to assert ownership of the cars on the occurrence of other specified events. He said those choses in action were not property such as was sold in the ordinary course of its trade.

That analysis was correct, but it did not assist in determining whether the application of paragrapb 9(1) depended on the trader's ownership of the stock.

Mr Park also said that Mr Justice Nicholls had deferred excessively to the eccountants view.

The court disagreed. Whet he did was to regard the accountants view as being good evidence, perhaps the best evidence, of the commercial reality of the arrangement. He thougbt the statute was more concerned with that than with the niceties of ownership. In all of that he was perfectly correct.

Mr Park submitted that the cars were properly to be regarded as part of Alfa'a trading stock.

To include the cars which bad been delivered to the taxpayer and to exclude the sums which had been received in respect of them would not give a true and fair view of Alfa'a affairs. The commercial reality was that the cars and the money would stay where they were.

Moreover, the prectice of allowing the Centre to retain the benefit of any rise in price meant that Alfa would never receive any more for its own pocket.

The true and fair view was that the cars bad left Alfa's books and thet cash receipts had taken their place.

Parliament was not to be credited with an intention to ignore the commercial realities of cases such as the present and to hang the entitlement to stock relief on the bare pegs of ownership. Entitlement to relief was a question of fact and degree to be decided in the particular circumstances of the case.

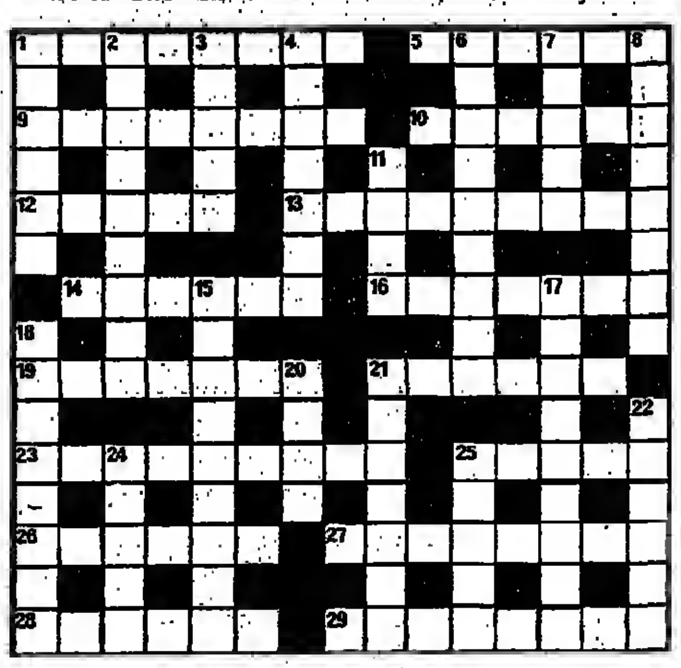
The appeal was dismissed.

For the Revenue: Andrew Park QC and Alan Moses (Inland Revenue Solicitor).

For the Centre: David Milne (Titmuss Sainer & Webb).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,771



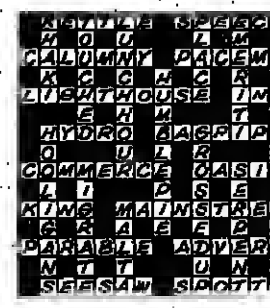
ACROSS

1 Celebrated gent seen to take the initiative (5, 3)
5 Kind of colour worn by a man (6)
9 Respect I possibly show those that have paid (8)
10 County clubs (6)
12 Bolt together? (5)
13 Gregarious type of barman should be (4, 5)
14 A comparison which makes one break into a grin (6)
16 Place to thicken stew (7)
19 Ratired train-bearer? (7)
21 A brass instrument (6)
23 Again determined how many should be told (9)
25 Bad organisation (5)
26 Gloss over (6)
27 The last thing a crowd will do (8)
28 Politician in new test case appeals (6)
29 Didn't stay uninhabited (8)

DOWN

1 It smoothly finishes off a piece of writing (6)
2 Her action disturbs a solitary person (9)
3 Now and again (5)
4 Tiredness may lead to failure under stress (7)
6 A final demand? (9)
7 Put on a fortissimo number (5)
8 Sinner he reformed to put in a hallowed place (8)
11 It's meat and drink to the Germans (4)
15 Indiscreet and saucy? About right (9)
17 Precipitate way the staff leave school assembly? (4, 5)
18 Ragged retinues, hungry and rapacious (8)
20 About to includa it in the ceremony (4)
21 Painstaking preparation (7)
22 Work hard to complete a butt (3-3)
24 Lure many to injury (5)
25 Drawing the French Canadian emblem (5)

Solution to Puzzle No 5,770.



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd	59.4	63.2	+0.1	3.59
Accum Units	87.9	93.5	+0.2	3.59
Pearl Inc.	85.2	90.6	+0.1	5.23
Pearl Unit Tst.	86.2	91.8	+0.3	4.45
(Accum Units)	149.1	150.6	+0.4	4.45

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames 0491 576868

Growth	174.4	107.7		1.55
Income	133.1	142.5		5.46
Worldwide Recovery	100.0	107.3		2.14
American Growth	55.9	60.0		0.68
Intl. Emerging Cos	55.7	59.8		0.79
Far East Growth Fd.	45.4	49.3		1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	98.7	105.7	+0.8	0.27
Prolific Extra Inc	59.5	63.3	+0.2	4.29
Prolific Gilt Cap.	81.3	84.6		3.25
Prolific High Inc	122.0	130.9	+0.9	5.65
Prolific Intl.	80.5	86.3	+0.3	1.86
Prolific N. Amer.	118.5	124.8	-0.7	2.16
Prolific Spec. Sits	129.9	139.4	+1.7	1.83
Prolific Technology	99.9	107.0	+0.4	1.00

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	47.4	50.2	+0.7	0.00
Worldwide	47.0	49.8	-0.1	1.65
European Trust	48.1	50.9	-0.4	1.71
North American	49.6	52.5	-0.1	2.14
UK Equity	48.1	51.0	+0.1	4.00

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst.	305.4	324.8	+0.8	3.92
Holborn Gilt Tst.	151.6	159.7	+0.3	8.81
Holborn High Inc	53.3	56.7	+0.1	7.66
Holborn Intl	58.2	61.9	+0.1	0.62
Holborn UK Growth	61.0	64.8	+0.2	3.70

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

Quadrant Gen. Fd.	300.5	314.7		3.87
Quadrant Income	167.7	178.7		7.04
Quadrant Intl. Fund	289.4	304.7		1.56

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188 Dealings to 0264 63432/3

TSB American	94.5	100.6	+0.3	1.17
Do. Accum	97.3	103.6	+0.4	1.17
TSB Extra Income	82.4	87.7	-0.1	6.54
Do. Accum	91.7	97.6	-0.2	6.54
TSB General	112.1	119.2	-0.5	3.53
Do. Accum	181.5	193.0	+0.7	3.53
TSB Gilt & Fxd Int	47.7	49.7	+0.2	9.29
Do. Accum	57.6	60.0	+0.2	9.29
TSB Income	154.4	164.8	+0.2	5.29
Do. Accum	231.4	248.4	+0.2	5.29
TSB Pacific	100.8	107.3	+0.3	1.09
Do. Accum	103.4	110.0	-0.2	1.09
TSB International	222.6	236.9	+0.5	1.97
Do. Accum	271.0	288.3	+0.6	1.92
Natural Resources	43.8	46.6	+0.1	2.69
Do. Accum	44.2	47.1	-0.1	2.69
TSB Shrd. Opps.	[illegible]	47.0	+0.2	2.76
Do. Accum	[illegible]	50.5	+0.3	2.76

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Small Co's Fund	63.9	68.3		0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	64.2	68.7	-0.3	0.27
Australia	27.2	29.0		0.10
Commodity	88.2	94.8	-0.1	1.82
Energy	39.9	42.7		0.82
Equity	92.2	98.3	+0.3	4.03
European Spec. Sits.	49.0	52.2	-0.1	0.96
Extra Income	37.0	41.9	+0.4	7.72
Financial	189.0	201.2		3.06
Gilt Capital	219.0	228.3	+0.4	3.25
Gilt Income	103.5	108.2	+0.3	8.85
Gold Income	60.5	64.7	+0.2	2.36
Gold Acc.	109.2	116.8	+0.4	2.36
Income	56.3	60.5	+0.1	6.20
Japan	43.5	46.4	+0.1	0.10
Malaysia & Singapore	21.9	21.4		1.26
Pacific Income	62.7	67.1	+0.1	9.93
Pacific Re Inv	75.9	81.2	+0.1	0.93
Preference Share	15.6	16.9		10.05
Professional	453.4	483.6	+1.1	1.80
Special Sits	79.1	84.6		2.66
Technology	41.2	44.1	+0.1	0.10
U.S. Special Bond	48.6	52.0	+0.3	6.53
Worldwide Capital	116.1	123.2	+0.4	2.83
Equity Exempt July 17	581.3	620.0	-4.9	2.64

INSURANCES

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Life Investments
19 St Andrew Square, Edinburgh. 031-225 2211

Property	105.3	111.0		—
UK Equity	119.0	125.3		—
American	130.1	137.0	−0.1	—
Pacific	95.0	100.1	+0.5	—
European	114.0	125.4	−0.4	—
International	111.9	117.9	+0.1	—
Fixed Interest	104.2	109.8	+0.3	—
Index Linked	99.9	105.3	−0.4	—
Deposit	103.5	108.9		—
Managed	110.8	116.8	+0.2	—
Pens. Property	109.5	115.3		—
Pens. UK Equity	124.7	131.4		—
Pens. American	136.3	143.6	−0.1	—
Pens. Pacific	96.9	102.1	+0.6	—
Pens. European	123.6	130.0	−0.5	—
Pens International	[illegible]	[illegible]	+0.1	—
Pens. Fixed Int	107.7	[illegible]	+0.3	—
Pens. Index Linked	102.9	[illegible]	−0.4	—
Pens. Deposit	110.2	[illegible]		—
Pens. Managed	114.6	[illegible]	+0.1	—

Sun Life Unit Assurance Ltd.
St James Barton, Bristol BS99 7SL. 0272 426911

Managed Acc.	314.6	331.2	+1.1	—
Property Acc.	196.8	207.2		—
Equity Acc.	430.6	453.3	+1.1	—
Fixed Interest Acc.	186.1	195.9	+0.3	—
Index-Linked Acc.	103.5	109.0		—
Cash Acc.	167.1	175.9	+0.1	—
American Equity Acc.	178.1	187.5	+2.6	—
U.S. Bonds Acc.	102.6	108.1		—
Japan Acc.	109.1	114.9	+0.2	—
Pacific Acc.	101.9	107.3	+0.8	—
Far Eastern Acc.	228.2	240.3	+0.6	—
International Acc.	226.5	238.5	−0.9	—
U.S. Dollar Acc.	97.3	102.5	+0.2	—
Yen Acc.	94.3	99.3	+0.5	—
European Currency Acc.	93.9	98.9	−0.2	—
Distribution	141.3	148.8		10.14

Sun Life Pensions Management Ltd
(funds for individual pension contracts)

Pens. Managed Acc.	311.8	328.3	+0.1	—
Pens. Property Acc.	141.2	148.7	+0.1	—
Pens. Equity Acc.	392.0	412.7	+1.3	—
Pens. F. Interest Acc.	177.4	186.8	+0.6	—
Pens. Ind. Link. Acc.	106.4	112.0		—
Pens. Cash Acc.	170.0	179.0	+0.2	—
Pens. Amer. Equity Acc.	145.6	153.3	−0.2	—
Pens. U.S. Bonds Acc.	115.9	122.0	−0.1	—
Pens. Japan Acc.	113.6	119.6	−1.6	—
Pens. Pacific Acc.	171.8	178.3	+0.8	—
Pens. Far Eastern Acc.	346.1	364.4	+1.0	—
Pens. Internat. Acc.	290.7	304.0	−3.2	—
Pens. U.S. Dollar Acc.	101.3	106.7	+0.2	—
Pens. Yen Acc.	97.3	102.5	+0.7	—
Pens. Euro. Curr. Acc.	92.7	97.6	+0.3	—

Scottish Mutual Assurance Society
109 St Vincent St, Glasgow. 041-248 6321

Flex End June 20	617.2	656.3	—	—
Pen Mngd June 20	406.4	429.8	—	—

Scottish Mutual Investments
109 St Vincent St., Glasgow. 041-248 6321

Safety Fund	94.9	99.9		—
Growth Fund	93.4	98.4	+0.2	—
Opportunity Fund	90.4	95.2	+0.2	—
Cash Fund	95.9	101.0		—
European Fund	96.5	102.4	−0.2	—
Gilts & Fxd Int Fund	99.7	105.0	+0.4	—
Index-Linked Fund	94.8	99.8	+0.4	—
International Fund	91.6	96.5		—
North American Fund	88.9	93.6	−0.2	—
Pacific Fund	91.9	96.8	+0.7	—
Property Fund	96.6	101.6		—
UK Equity Fund	89.9	94.7	+0.6	—
UK Smaller Cos. Fund	90.2	95.0	+0.5	—

Swiss Life Pensions Ltd
99-101 London Rd, Sevenoaks. 0732-450161

Equity	£174.81	180.21		—
Fixed Int.	£131.33	131.40		—
Index Linked	£109.98	110.53		—
Property	£136.85	140.25		—
Cash	£119.72	129.72		—
Mixed	£162.10	167.11		—
International	£127.66	131.60		—

Next sub day July 14

Scottish Provident Institution

Arbuthnot Securities (C.I.) Ltd.
P.O. Box 428, St. Helier, Jersey.

Dollar Income Tst (z)	$1.095
Gov't Secs. Tst.	74.8
Yen Bond*	Y201
Sterling Fd*	102.0
Japan Growth*	210.5

Aries Fund Managers Ltd
PO Box 449, St Helier, Jersey

Dollar Fund	$10.35
Sterling Fxd Interest	£9.658

B.I.A. Bond Investments AG
10, Baarerstrasse CH6301, Zug, Switzerland

Julius Baer Bank & Trust Co Ltd
Butterfield House, Grand Cayman

Bamford Brandt Guernsey Mngt. Ltd.
PO Box 71, St Peter Port, Guernsey

Bank of America International S.A.
35 Boulevard Royal, Luxembourg GD

Barclays Unicorn International
1, Charing Cross, St. Helier, Jersey

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

OPTIONS

3-month call rates

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.

COMMODITIES AND AGRICULTURE

Japanese steel mills concede price rises for iron ore

BY CHRIS BENISCHKE

Australia's main iron ore producers, Hamersley and Mt Newman, have finally succeeded in wringing a price increase out of Japan's steelmakers, bringing this year's unusually protracted round of price negotiations in the international iron ore market to an end.

The deal, which gives the Australian companies price increases of 1.42 per cent for iron ore fines and 2.2 per cent for lump ore over their 1984 levels, was struck at the end of last week, four months after new iron ore prices were due to come into force in Japan. It is backdated to April 1.

The new prices mark a scaling down of the Australians' earlier hopes of obtaining big price increases from the Japanese steelmakers, led by Nippon Steel Corporation.

The increases are also significantly lower than those obtained by Hamersley and Mt Newman in talks with European steel companies earlier this year—a rise of 4.25 per cent for fines and 6.4 per cent for lump ore.

The steelmakers will be relieved to have kept the price increases down, but for their part, the mines have at least been able to reverse the trend of the last two years, when prices fell by some 20 per cent in two successive rounds of talks.

Iron ore prices agreed between Hamersley, Mt Newman and Japanese steelmakers (in cents per long ton Fe unit, f.o.b.)

1984	1985
26.67	27.05
30.87	31.55

The deal effectively marks the end of this year's bargaining round, with only some small tonnage outstanding. But it will not be long before the two sides are squaring up for another round of price talks.

With somewhat less gloomy forecasts being made for world raw steel output, and the possibility that supply and demand for iron ore could move closer to a balance by the end of the decade, the producers are now looking to consolidate the modest gains achieved this year.

Indeed, there is some speculation in trading circles that the Japanese steel mines promised improved conditions in 1986 in return for moderate price increases this year.

But the mills maintain that their own markets have not improved sufficiently to justify additional raw material costs.

The next round of talks will almost certainly be as hard fought as the one just completed. Competition in the iron ore market is on the increase.

The Australians' share of the European market increased last year from 11 per cent to around 14 per cent. And the Western Australian Government warned recently that Brazilian suppliers may become more aggressive in Asia once large amounts of ore from the Carajas project start flooding onto the market.

Chris Benischke is assistant editor of Metal Bulletin.

Canadian copper mine to reopen

BY BERNARD SIMON IN TORONTO

NORANDA, the Canadian mining group, is to reopen its Bell Copper Mine in central British Columbia thanks to power tariff and tax concessions granted by the provincial government and workers' acceptance of a wage freeze for the remaining three and a half years of the mine's life.

Noranda did not disclose at what rate the mine will operate when it reopens in September. In the nine months before it was closed in October 1982, it milled 3.7m tonnes of ore, producing 11,450 tonnes of copper, as well as 30,000 ounces of silver and 11,200 ounces of gold. The mill has a capacity of 17,000 tonnes of ore a day.

Mr John Kalmet, Noranda's general manager for mines in British Columbia, said that Bell will earn "marginal profits at best" for the next two years, but should be profitable in 1988.

Concessions agreed by the provincial government include a 37 per cent discount on electricity rates to a maximum of C$5m a year, and cuts in property taxes totalling C$420,000. Three-quarters of any increase in copper prices will be applied to a reduction of government assistance. The company will distribute 10 per cent of pre-tax profits to about 250 recalled workers.

Mr Kalmet said the mine needs a copper price of around 75 U.S. cents a pound to break even. Current U.S. producer prices are between 65 and 69 cents a pound.

● Weekly metals prices as supplied by Metal Bulletin yesterday were:

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,815-2,880.

BISMUTH: European free market, min. 99.95 per cent, $ per lb, tonne lots in warehouse, 4.05-4.20.

CADMIUM: European free mraket, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.70-0.75, sticks, 0.74-0.79.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.30-11.45.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 287-296.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.15-3.25.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 6.30-6.80.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit, WO, cif, 60.69.

VANADIUM: European Free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.13-2.23.

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 15.00.

Milk import fears ease after EEC health deal

By Ivo Dawnay in Brussels

EEC FARM MINISTERS yesterday agreed a directive laying out new plans for harmonising milk quality standards.

The deal means UK officials now hope the European Commission will drop its action against Britain in the European Court over its restrictions against imports.

The legal moves were taken against the UK last December after complaints that its rules requiring all milk imports to be subject to costly heat treatment, represented a restraint on trade.

The British justified the regulations on the grounds that foreign milk controls failed to meet the necessary health standards. However, a similar action in the court against Britain's rules for ultraheat treated (long-life) milk, had been successful earlier in 1984.

Although London subsequently acted on this judgment, it was feared that the precedent paved the way to free access for cheap milk from overseas with dire consequences for the domestic dairy industry.

Yesterday's agreement aims to raise Community health and treatment standards to the UK requirements in two stages—the first to be completed by 1989, and the second by 1994.

Mr Michael Jopling, the UK Farm Minister, expressed satisfaction with the decision, adding that he hoped the Commission would now drop its action.

"I am confident that our industry is well able to compete with foreign supplies and it may well present it with export opportunities," he said.

Britain's National Farmers' Union (NFU) said it welcomed the council of ministers' agreement.

It said there was provision for two sets of standards, the higher of which could be applied immediately by countries whose domestic supplies already reached it. "This will enable the UK to apply the same high standards which are already met by domestic production to any imports of pasteurised milk," the union said.

Rubber pact plans review

BY WONG SULONG IN KUALA LUMPUR

THE KUALA Lumpur-based International Natural Rubber Organisation (Inro) is canvassing its 33 members in order to set a date for a special council session to review its buffer stock operations now that it has accumulated 300,000 tonnes of rubber.

Under the Inro regulations, once the level of 300,000 tonnes is reached, a special session has to be called to discuss, among other things, a downward revision in the Inro price range, and further financial contributions from members.

The rules provide for an automatic 3 per cent downward revision of the reference price of 203 Malaysian/Singapore cents a kilo (used for calculating the buying and selling prices by the buffer stock manager) if Inro members cannot reach consensus on whether to retain the present price or revise it downwards by a nominal percentage.

The 300,000 tonne mark was breached last Friday after the buffer stock manager bought heavily in the market to prop prices one cent above the "must buy" level of 166 Malaysian/Singapore cents a kilo.

According to Inro officials, producing members favour having the special session early in September to coincide with a regular meeting that would discuss the appointment of a new buffer stock manager, to succeed Mr Harvey Adams, who leaves in October.

However, consumers, and in particular, the U.S., want the special session to be held as soon as possible as they feel there are important issues to be thrashed out.

These include the financial capability of the buffer stock to continue to support the market and the views of members on the prospect of further calls for funds.

So far, Inro has made five calls for funds, in excess of 700m ringgit ($287m). The last was in mid-June for 100m ringgit.

The manager can continue to buy rubber up to 400,000 tonnes, and beyond that there is a contingency plan in the Inro agreement for additional stockpile of 150,000 tonnes.

Rubber traders say the steady decline in prices in recent weeks was mainly due to the slowdown in tyre production in the U.S., the start of the summer holidays in Europe and a mild wintering season in Malaysia.

Datuk Paul Leong, the Malaysian Primary Industries Minister, said the medium-term prospects for rubber are not good because production is increasing faster than demand.

The International Natural Rubber Organisation (Inro) has received nearly 80m ringgit from member countries to finance further purchases of rubber for its buffer stock, Inro officials said, yesterday, reports Reuter.

Members sent the funds in response to Inro's request last month for a total of 100m ringgit in contributions to be paid by July 15. The outstanding 20m ringgit from certain members is expected to arrive soon.

The latest request for funds is its fifth since October 1981 and brings to about 800m ringgit the total called up for buffer stock operations so far.

Industrial action threatens Surinam bauxite industry

BY CANUTE JAMES IN KINGSTON

AN INDEFINITE work to rule started this week by bauxite miners in Surinam will bring further pressure on an already weakened industry which accounts for 80 per cent of the country's exports.

The workers at the mines, owned by Billiton, one of the two iron ore companies operating in the country, are seeking to support wage demands at a time when the industry is financially strapped.

The industrial action follows efforts to rationalise Surinam's bauxite mining and refining, and aluminium smelting, to cut production costs.

Workers at the Surinam Aluminium Company (Suralco), a wholly owned subsidiary of the aluminium company of the U.S., agreed a wage freeze three months ago as part of an effort to keep the industry on its feet.

The action by the miners comes after a year of losses for the industry in the former Dutch colony in South America.

Last year Billiton and Suralco suffered a combined loss of $23m.

Refining costs, however, have averaged $165 per tonne, higher than prevailing market prices.

It was this which led to efforts by the government and the industry to rationalise production costs, a part of which is the agreement on the wage freeze.

More difficult for the industry will be the implementation of a planned reduction in the 4,300 workforce through redundancies.

Government officials and representatives of Suralco say there are no plans for a cutback in the company's Surinam operations.

The likelihood of a reduction in operations follows Alcoa's withdrawal from mining in the Dominican Republic two years ago, and its closure earlier this year of its 800,000 tonne a year refinery in central Jamaica.

If the company is forced to reduce operations Billiton will be adversely affected. The company last year bought a 45 per cent stake in Suralco's 1.4m tonne refinery, the largest on the continent.

Suralco also took a 24 per cent share in the country's largest mine at Onverwacht, owned and operated by Billiton.

Soviet Union to cease whaling in Antarctic

Financial Times Reporter

THE Soviet Union announced yesterday that it will cease commercial whaling in the Antarctic temporarily starting in 1987.

The announcement came during the annual meeting of the 40-nation International Whaling Commission in Bournemouth, which went into closed session yesterday to discuss the world's whale stocks.

The IWC has fixed an international moratorium on commercial whaling from November this year, but three nations, including the Soviet Union, maintained formal objections to this.

Yesterday, however, the Soviet commissioner to the annual meeting, Dr I. Y. Nikonorov, issued a statement saying: "The Soviet Union plans a temporary stop in Antarctic commercial whaling from the 1987-88 season due to technical reasons.

"Until then, whaling will be conducted in accordance with the scientific committee recommendations."

This will bring the Soviet Union into line with Japan, which in April this year reluctantly agreed to stop commercial whaling from 1988 after coming under pressure from the U.S.

The Soviet statement added: "At present most members of the IWC have stopped or intend to stop commercial whaling. This creates a new situation in the commission and cannot but lead to modifications in the main directions of its activities.

"Under the new conditions the commission's functions with regard to regulation of whaling will recede, excluding aboriginal whaling. Scientific research and conservation tasks move to the forefront, and this is quite understandable.

"Our main task is to provide for recovery of depleted stocks. Only such mode of activities gives us grounds to expect that it will be possible to recommence exploitation of whale stocks on a rational basis."

LONDON MARKETS

COCOA AND coffee futures firmed in London yesterday in technical rallies following recent heavy declines.

The September delivery cocoa position ended the day £15.50 higher at £1,683 a tonne, a few pounds below the day's high. Traders said the rally featured buying by speculators who had earlier sold the market short. Some trade buying was also reported.

There was little reaction to reports of beneficial rains in West African growing regions.

September coffee futures finished £10.50 up at £1,648 a tonne after opening weak. Dealers attributed the upturn to "nervous short-covering." The market has been oversold for some time, they added, and an upward correction was inevitable.

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	757.5-6.5	+ 18.5	—
3 months	760.5-5	+ 12.25	762/750

Official closing (am): Cash 734-5 (722-3); three months 754.5-5.5 (744-.5); settlement 735 (723). Final Kerb Close: 761.5-2. Turnover: 42,380 tonnes.

COPPER

[illegible]

LEAD

[illegible]

NICKEL

[illegible]

ZINC

[illegible]

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

TIN

[illegible]

GOLD

[illegible]

SILVER

[illegible]

GRAINS

[illegible]

COCOA

[illegible]

INDICES

FINANCIAL TIMES

REUTERS

DOW JONES

[illegible]

COFFEE

[illegible]

SUGAR

[illegible]

SOYABEAN MEAL

[illegible]

RUBBER

[illegible]

COTTON

[illegible]

OIL

[illegible]

GAS OIL FUTURES

[illegible]

POTATOES

[illegible]

PIGMEAT

[illegible]

FREIGHT FUTURES

[illegible]

U.S. MARKETS

PRECIOUS METALS firmed reflecting concern over President Reagan's health and on technical buying, reports Heinold Commodities. Copper traded higher on a narrowing of the contango in London which could indicate developing supply tightness. Sugar rallied on short-covering ahead of the EEC export tender today Cocoa remained steady despite an increase in Bahian arrivals. Coffee attracted scattered trade support on an oversold condition. Cotton came under pressure due to lacklustre demand. Heating oil lost ground in sideways choppy action ahead of the API stock report and the Opec meeting. Grains and soyabeans came under heavy pressure on forecasts of more moderate temperatures and increased probability of precipitation. Soya meal came under heavy pressure as demand in Europe disappeared and cash meal traded as much as $7 below official spot quotations.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
July	45.80	—	—	44.85
August	45.80	—	—	45.05
Sept	45.10	46.10	45.70	45.35
Dec	47.10	46.85	46.70	46.35
Jan	47.40	—	—	46.65
March	48.10	47.90	47.85	47.35
May	48.90	—	—	48.00

[illegible]

CHICAGO

[illegible]

OTHER MARKETS

JUTE

[illegible]

WOOL FUTURES

[illegible]

PARIS

[illegible]

HIDES

[illegible]

MEAT

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar quiet and steady

The dollar paused for breath in currency markets yesterday after its recent sharp downturn. There were no new economic factors to influence trading while news of President Reagan's operation failed to have any lasting impact. The U.S. unit attracted a little bit of short covering but no new trend developed with traders waiting for today's testimony to Congress by Mr Paul Volcker, chairman of the Federal reserve board. There was also little incentive to take out fresh positions ahead of tomorrow's revised GNP figures. These are expected to show some downward revision from the 3.1 per cent flash estimate.

Part of today's testimony by Mr Volcker may coincide with a reduction in the discount rate but there has been concern recently over the continued growth in U.S. money supply above Federal targets.

The dollar closed at DM 2.8860 up from DM 2.8770 and Y237.70 compared with Y237.65. It finished at SwFr 2.3930 against the Swiss franc from SwFr 2.3920 and was firmer against the French franc at FFr 8.7575 from FFr 8.7475. On Bank of England figures, the dollar's exchange rate index fell to 138.2 from 138.4.

STERLING — Trading range against the dollar in 1985 is 1.3885 to 1.0525. June average 1.2813. Exchange rate index 83.1 down from 83.2, having touched a low of 83.0 in the morning and a high of 83.3 in the afternoon.

Sterling showed very little overall change in rather featureless trading. Much of the pound's recent impetus has stemmed from the dollar's decline and with the U.S. unit showing little change so sterling was confined to a narrow range. Expectations of a further cut in base rates remained an underlying factor although the authorities have clearly signalled their preference for a cautious approach.

Sterling closed at $1.3880 against the dollar compared with $1.3885 on Monday. It was slightly firmer against the D-mark at DM 4.0050 from DM 4.00 and FFr 12.1650 compared with FFr 12.1450. Against the yen it eased slightly to Y330.00 from Y330.25 and was unchanged in terms of the Swiss franc at SwFr 3.3200.

D-MARK — Trading range against the dollr in 1985 is 3.4510 to 2.8770 June average 3.0639. Exchange rate index 123.9 against 120.1 six months ago.

The dollar closed at DM 2.8775 in Frankfurt, the same as its opening level. Activity was subdued ahead of the release of further U.S. economic data including a revied GNP figure tomorrow.

STERLING INDEX

	July 16	Previous
8.30 am	83.2	82.7
9.00 am	83.1	82.8
10.00 am	83.0	83.0
11.00 am	83.1	83.1
Noon	83.2	83.3
1.00 pm	83.3	83.4
2.00 pm	83.1	83.2
3.00 pm	83.1	83.1
4.00 pm	83.1	83.2

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc ...	44.8008	45.2891	+0.86	+0.66	±1.5471
Danish krone ...	8.14104	8.09304	−0.59	−0.79	±1.6419
German D-mark	2.24184	2.25124	+0.42	+0.22	±1.1475
French franc ...	6.87456	6.83836	−0.53	−0.73	±1.3689
Dutch guilder ...	2.52595	2.53234	+0.25	+0.05	±1.5171
Irish punt ...	0.72569	0.717919	−1.07	−1.27	±1.6673
Italian lira ...	1403.49	1468.66	+3.93	+3.67	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	July 16	Prev. close
£ Spot	$1.3860-1.3870	$1.3885-1.3895
1 month	0.03-0.50 pm	0.55-0.54 pm
3 months	1.45-1.40 pm	1.37-1.35pm
12 months	4.00-3.90 pm	3.72-3.65pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

July 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3835-1.3950	1.3875-1.3885	0.54-0.51c pm	4.54	1.38-1.33pm	3.90
Canada	1.8740-1.8805	1.8740-1.8770	0.01c pm-par	0.03	0.02-0.01pm	0.03
Nethlnd.	4.48½-4.51½	4.50-4.51	2½-2¼c pm	5.99	8¼-6pm	5.49
Belgium	80.23-80.75	80.55-80.65	28-23c pm	3.89	65-59pm	3.08
Denmark	14.37-14.42	14.39-14.40	4-2⅞ore pm	2.87	9¼-8⅝pm	2.57
Ireland	1.2739-1.2804	1.2739-1.2749	0.17-0.08p pm	1.18	0.34-0.19pm	0.83
W. Ger.	3.99-4.01½	4.00-4.01	2½-2¼pf pm	7.49	7-6¾pm	6.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 81.15-81.25. Six-month forward dollar 2.47-2.42c pm, 12-month 3.70-3.55c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3835-1.3950	1.3875-1.3885	0.54-0.51c pm	4.54	1.38-1.33pm	3.90
Ireland†	1.0835-1.0905	1.0846-1.0854	0.33-0.28c pm	3.36	0.88-0.80pm	3.09
Canada	1.3480-1.3623	1.3520-1.3530	0.15-0.18c dis	−1.47	0.46-0.51dis	−1.44
Nethlnd.	3.2310-3.2540	3.2440-3.2450	0.39-0.36c pm	1.39	1.28-1.25pm	1.56
Belgium	57.86-58.19	58.00-58.10	4-5c dis	−0.93	13-15dis	−0.96
Denmark	10.34-10.41	10.37½-10.37¾	1-1½ore dis	−1.45	3¼-3¾dis	−1.35
W. Ger.	2.8730-2.8930	2.8855-2.8865	0.72-0.67pf pm	2.89	2.09-2.04pm	2.87
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 58.45-58.55.

OTHER CURRENCIES

July 16	£	$		Note Rates
Finland Markka	8.5500-8.5770	6.0260-6.0280	France	12.11-12.22
Greek Drachma	177.85-181.69	128.30-130.99	Germany	3.96½-4.02½
Hong Kong Dollar	10.7300-10.7400	7.7280-7.7330	Italy	2585-2630
Iran Rial	120.60*	90.80*	Japan	331-335
Kuwait Dinar (KD)	0.4157-0.4171	0.30000-0.30015	Netherlands	4.48-4.52
Luxembourg Fr.	80.65-80.65	58.00-58.10	Norway	11.57-11.68
Malaysia Dollar	3.4190-3.4850	2.4635-2.4645	Portugal	235-235
New Zealand Dlr.	2.7750-2.7825	2.0000-2.0040	Spain	232-238
Saudi Arab Riyal	5.0705-5.0755	3.6505-3.6510	Sweden	11.64-11.76
Singapore Dollar	3.0690-3.0650	2.2035-2.2055	Switzerland	3.31-3.34
Sth African Rand	2.6340-2.6460	1.8970-1.9010	United States	1.38-1.40
U.A.E. Dirham	5.1000-5.1050	3.6720-3.6730	Yugoslavia	370-395

* Selling rate.

CURRENCY MOVEMENTS

July 16	Bank of England Index	Morgan Guaranty Change %
Canadian dollar	87.0	−0.7
Austrian schilling	114.4	+3.0
Belgian franc	90.4	−10.9
Danish Kroner	78.9	−6.5
Deutsche mark	123.9	+7.1
Swiss franc	144.5	+9.7
Guilder	114.4	+5.8
French franc	66.5	−14.5
Lira	45.5	−18.1
Yen	158.5	+14.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 16	Bank rate %	Special Drawing Rights	European Currency Unit
Belgian Fr.	2½	58.5531	45.2891
Danish Kr.	7	10.5311	8.09304
D mark	4½	2.90608	2.25124
Guilder	5½	3.32690	2.53234
French Fr.	9½	3.88661	6.83836
Lira	15½	1916.95	1458.66
Yen	5	944.205	185.357
Norway Kr.	8	8.58881	6.02957
Span'h Pta.	—	170.497	129.754
Swedish K.	10½	8.63027	6.56444
Swiss Fr.	4	2.45610	1.87804
Greek Dr'ch	20½	133.066	101.356
Irish Punt	13¾	0.945251	0.717916

* C$/SDR rate for July 15: 1.38516.

EXCHANGE CROSS RATES

July 16	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.388	4.005	330.0	12.17	3.320	4.505	2594.	1.870	80.60
U.S. Dollar	0.720	1.	2.886	237.7	8.758	2.393	3.245	1858.	1.351	58.05
Deutschemark	0.250	0.347	1.	82.40	3.037	0.829	1.150	647.7	0.468	20.18
Japanese Yen 1,000	3.030	4.208	12.14	1000.	36.86	10.06	13.65	7861.	5.683	244.2
French Franc 10	0.822	1.141	3.288	271.3	10.	2.729	3.703	2132.	1.542	66.26
Swiss Franc	0.301	0.418	1.206	99.40	3.664	1.	1.357	781.3	0.565	24.26
Dutch Guilder	0.222	0.308	0.889	73.25	2.700	0.737	1.	575.8	0.410	17.89
Italian Lira 1000	0.386	0.536	1.544	127.2	4.690	1.280	1.737	1000.	0.723	31.07
Canadian Dollar	0.533	0.740	2.135	176.0	6.486	1.770	2.402	1383	1.	42.98
Belgian Franc 100	1.241	1.722	4.969	409.4	15.09	4.112	5.589	3218.	2.327	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 16	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12⅛-12¼	7⅜-7¾	8¼-9	6⅞-6⅛	1⅜-1⅝	5¼-6¼	9¾-9⅞	11½-12½	8½-8¾	8½-8¾	5½-6⅛	2½-10½
7 days' notice	12⅞-12⅝	7⅛-7⅛	8¾-9	6⅛-6⅝	1⅜-1⅝	5½-5¼	9¾-9⅞	19½-13	8¾-9	8⅝-8⅞	6¼-6⅞	8¼-10½
Month	12¼-12⅜	7⅛-7⅛	8⅞-9⅛	6⅝-6¾	4½-5	5⅞-6⅛	9⅞-10⅛	12¾-13¼	8¾-9	8⅝-8⅞	6¼-6⅞	9⅞-9⅝
Three months	11⅞-12	7⅛-7⅛	9⅛-9⅜	6⅛-6⅛	5-5⅛	5⅞-6⅛	10⅛-10⅞	13⅝-13¾	8⅞-9⅛	8⅞-9⅛	6⅛-6⅜	9¼-9½
Six months	11⅛-11⅜	8-8⅛	9¼-9½	6⅛-6⅞	5⅛-5¼	6⅛-6⅛	10⅝-10⅞	13⅞-14¼	9-9¼	9-9¼	6⅛-6⅞	9½-9¾
One year	11⅛-11⅝	8⅝-8⅞	9⅞-9⅞	6⅛-6⅞	5⅛-5⅞	6⅛-6⅛	11-11¼	14⅝-14⅞	9⅝-9⅞	9¼-9½	6⅛-6⅜	9½-10

Asian $ (closing rates in Singapore): Short-term 7⅜-7⅝ per cent; seven days 7⅜-7⅞ per cent; one month 7⅜-7⅞ per cent; three months 7⅞-8 per cent; six months 7⅞-8⅛ per cent; one year 8⅛-8⅞ per cent. Long-term Eurodollars: two years 9¼-9½ per cent; three years 9⅝-10 per cent; four years 10⅛-10⅜ per cent; five years 10⅛-10⅝ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Lower interest rates expected

Interest rates were little changed on the London money market yesterday, but there was a tendency for longer term rates to ease slightly as the short end of the market remained tight. The Bank of England did not offer an early round of assistance, in spite of a very large shortage, and did not appear to provide quite enough help on the day. This had the effect of keeping very short rates high and helped to underline the present market intervention rate structure, in the face of speculation about another cut in bank base rates. Three-month interbank money [illegible]

UK clearing banks base lending rate 12 per cent since July 11-16

bank closed unchanged at 11¾-12 per cent, but discount houses buying rates for three-month bank bills fell to 11⅛-11⅜ per cent from 11¼ per cent. The houses' reluctance to sell bills outright to the authorities at present intervention rates indicates expectations of a further fall in interest rates.

The Bank of England at first forecast a money market shortage of £1,300m, and revised this to £1,450m around noon, and to £1,500m in the afternoon. Total help of £1,345m was provided, through outright bill purchases of £469m, and repurchase agreements on bills of £726m. Late assistance of £150m was also given.

Before lunch the authorities gave help of £347m, including £138m bills purchased outright, by way of £115m in band 2 (15-33 days maturity) at 11⅝ per cent, and £23m bank bills in band 3 (34-63 days) at 11⅛ per cent. Another £209m bills were bought for resale to the market on August 6 at 11⅝ per cent.

In the afternoon a further £848m bills were purchased of which £331m were bought outright, through £10m bank bills in band 1 (up to 14 days) at 11⅜ per cent; £15m Treasury bills in band 2 at 11⅝ per cent; £164m bank bills in band 2 at 11⅝ per cent; £5m Treasury bills in band 3 at 11⅛ per cent; £135m bank bills in band 3 at 11⅛ per cent; and £2m bank bills in band 4 (64-91 days) at 11⅛ per cent.

Another £517m bills were purchased for resale to the market on July 30 at 11⅞-11⅝ per cent, followed by the late assistance.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £263m, with the unwinding of repurchase agreements absorbing £607m; Exchequer transactions £430m; and bank balances below target £40m. These outweighed a fall in the note circulation adding £30m to liquidity.

MONEY RATES

July 16	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Lombard	[illegible]	—	—	—	—	—	—	—
Intervention	—	[illegible]	—	—	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

July 16	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
2 days notice	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—
7 days or 7 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	[illegible]	—	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	Cert of Deposit	SDR Linked Deposits	ECU Linked Deposits
One month	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	—	[illegible]	[illegible]	—	—
One year	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	[illegible]	—	—	—	—
Three years	—	[illegible]	—	—	—	—
Four years	—	[illegible]	—	—	—	—
Five years	—	[illegible]	—	—	—	—

ECGD Fixed Finance IV: Average Rate of interest period June 5 to July 2 (inclusive): 12.535 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from July 1 1985. London and Scottish Clearing Bank Rates for lending 12 per cent. Bank Deposit Rates for sums at seven days' notice 8.25-8.625 per cent (net). Treasury Bills: Average tender rate of discount 11.4687 per cent. Certificates of Tax Deposits (Series 6): Deposit £100,000 and over held under one month 11¾ per cent; one-three months 12 per cent; three-six months 11⅞ per cent; six-nine months 11⅞ per cent; nine-12 months 11⅞ per cent. Under £100,000 11 per cent from July 10. Deposits held under Series 5 11⅛ per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 16)

3 months U.S. dollars	
bid 7⅞	offer 8

6 months U.S. dollars	
bid 8	offer 8⅛

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	8¾-9¼
Fed funds	7¾
Fed funds at intervention	7⅞

Treasury Bills

One month	6.76
Two month	6.85
Three month	7.00
Six month	7.14
One year	7.24

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FINANCIAL FUTURES

Eurodollars firm

Dollar denominated interest rate contracts were generally firm yesterday, after a nervous opening. A weaker cash market overnight in the U.S.—reflecting fears about President Reagan's health—led to a weaker start in Eurodollar and U.S. Treasury bond futures, but the contracts soon found support as concern about the President subsided. A psychological barrier of 92.00 was broken in September Eurodollars, and also strong resistance levels in September bonds, taking that contract to a peak of 77-24.

Eurodollars and bonds finished almost at their best, as the buying trend in London was confirmed when Chicago began trading. It is generally anticipated that Thursday's revised U.S. GNP figure for the second quarter will be revised down to 2-2½ per cent from the flash estimate of 3.1 per cent, while Mr Paul Volcker, chairman of the Federal Reserve Board, is not expected to say anything to today's testimony before Congress.

Buying also increased ahead of publication of the Federal Reserve Board's semi-annual report last night.

Gilt futures opened steady, but met with strong selling by stockjobbers, and closed at the day's low. Three-month sterling futures rose as the pound held steady on the foreign exchanges, and rumours continued about another cut in UK bank base rates.

LONDON

[illegible]

CHICAGO

[illegible]

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LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99 13/16	97 1/4	Treas 8 3/4pc Cnv '85	99 11/16	+ 1/32	8.80	12.32
101 1/16	99 5/8	Exch. 12 1/4pc 1985	100 1/8	+ 1/32	12.23	11.52
101 1/4	99 1/16	Exch. 11 1/4pc '86	100 1/8	+ 1/32	11.73	11.45
99 1/2	97 1/16	Treas. 10pc Cnv 1986	99 1/8	+ 1/8	10.08	11.18
95	92 1/4	Treas 3pc 1986	95	+ 1/8	1.15	9.22
100	97 1/2	Exch. 10 1/2pc Cv '86	99 5/8	+ 1/8	10.55	10.97
101 7/8	99 1/4	Treas 12pc 1986	100 7/8	+ 1/8	11.90	10.90
97 1/2	94 1/4	Treas 8 1/2pc 1984-86‡‡	97 1/4	– 1/16	8.69	10.85
105 3/4	102 1/4	Exch. 14pc 1986	103 1/4	+ 1/16	15.53	10.96
93 1/4	87 1/4	Exch. 2 1/2pc 1986	93 1/4	...	2.68	7.85
104 3/8	101 1/4	Exch. 13 1/4pc 1987	103 1/4 xd	+ 1/16	12.86	10.97
99 1/2	96 3/4	Treas 10 1/4pc Cv '87	99 xd	+ 1/8	10.36	10.97
91 1/2	85 1/2	Exch 2 1/2pc 1987	91 1/2	+ 1/8	2.72	0.12
99 1/2	96 1/2	Exch. 10 1/2pc 1987	99 1/4	+ 1/16	10.58	10.94
93 1/2	89	Funding 6 1/2pc '85-87‡‡	93 1/4	– 1/16	6.96	10.59
98 1/2	95 1/2	Treas. 10pc 1987	98 1/4	+ 1/16	10.17	10.96
90 1/4	84 1/4	Treas 3pc 1987	90 1/4	+ 1/16	3.32	8.46
102 1/2	99 1/4	Treas. 12pc 1987	102	+ 1/8	11.77	10.94
93 1/4	90 1/4	Treas 7 1/4pc 1985-88‡‡	93 1/4 xd	+ 1/8	8.27	10.62
99	95 1/4	Exch 10 1/2pc '88	99	+ 1/8	10.61	10.90
96 7/8	93 1/4	Treas 9 1/4pc Cv '88	96 7/8	+ 1/8	10.07	11.02
86 1/4	80	Transport 3pc '78-88	86 1/4	+ 1/8	3.48	8.34

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1985 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
22 3/4	16 1/4	Amer Medical Int $1	19 7/8 xd	– 1/4	60c	—	2.2
59 1/4	32	Amer. Nat. Res. $1	51 1/4 xd	...	h$1.41	—	2.1
20 1/4	15 7/8	American T. & T. $1	15 7/8	– 1/8	$1.20	—	5.4
79 1/2	64 1/4	Ameritech $1	68 5/8	...	$6.00	—	6.9
25	16	Amfac	19 1/4	...	$1.44	—	5.7
47p	29p	♦AridTech	32p	...	—	—	—
18 1/2	13 5/8	Bankamerica $1	13 5/8	– 1/2	$1.52	—	8.0
60 1/2	47	Bankers N.Y. $10	51 1/4 xd	– 1 1/8	$2.70	—	3.8
12 1/4	829p	BASIX Corp.	880p	...	12c	—	1.1
80 3/4	65 1/4	Bell Atlantic $1	68 1/2	+ 1/2	$6.80	—	7.1
34 1/4	28 1/4	Bellsouth $1	31 5/8	– 1/4	$2.60	—	5.9
19 1/4	11 7/8	♦Beth Steel $8	12 1/2	...	40c	—	2.2
24	16 1/4	Bowater Inc.	37 1/4 xd	...	72c	—	3.3
40 1/2	31 1/4	Brown'g-Fer. 16 2/3c	37 1/2	+ 1/4	$1.08	—	2.1
37 1/4	26 1/4	Brunswick Corp	27 1/4	– 1/4	$1.00	—	2.6
525p	278p	♦Business Computer	278p	...	—	—	—
39 7/8	31 1/4	CPC Intnl. 25c	31 1/2 xd	– 1/2	$2.20	—	5.0
25	18 1/4	CSX Corp U.S.$1.00	19 1/4	+ 1/2	$1.04	—	3.8
17 1/4	13	CalFed Inc $1.00	17 5/8 xd	+ 1/8	32c	—	1.3
65 1/4	51 1/4	Campbell Soup 60c	57 xd	– 1/4	$5.00	—	6.3
31 1/4	24 5/8	Caterpillar Tractor	26 1/4 xd	– 1/4	50c	—	1.4
902p	576p	Cenergy Corp 25c	576p	–17	1c	—	0.1
52 1/4	40 5/8	Chase M'hat $12.5	43 5/8 xd	– 1 1/4	$3.80	—	6.3
38 1/4	29 3/4	Chemical New York	31	– 1/4	$2.48	—	5.8
34 1/2	24 1/2	Chesebrough-Pond's $1	24 1/2	– 1/4	$1.92	—	5.6
32 1/4	24 7/8	Chrysler $6 1/4	24 1/4	...	$1.00	—	3.2
42 1/4	32 1/4	Citicorp $4	35 1/4	– 1/4	$2.26	—	4.6
948p	788p	CityFed Fin. Corp.	926p	–8	040c	—	3.1
23 1/2	19	Colgate-P. $1	19 1/4	+ 1/4	$1.28	—	4.7
57 3/4	44	Colt Inds. $1	44 1/4	– 2 1/4	$2.50	—	4.1
155p	40p	Cont Illinois Hldgs $1	63p	...	—	—	—
238p	100p	♦Corporate Data Scnce.	129p	...	—	—	—
36 1/4	28 1/4	Crown Zell $5	29 1/2 xd	– 5/8	$1.00	—	2.4
44 1/4	17 1/4	Cullinet Sftwr $0.1	18 1/4	+ 1/2	—	—	—
506p	248p	Damson Oil 40c	269p	...	—	—	—
29	18 5/8	Data Corp. $1	18 5/8	– 1/4	$1.28	—	4.9
67	22 1/4	Data General	26 1/2	– 1/4	—	—	—
77p	26p	♦Derma-Lock Medcl	26p	...	—	—	—
67	54 1/4	Dun & Bradstreet $1	57 1/4 xd	– 2 1/4	$1.88	—	2.4
55 1/2	38 1/2	Eaton Corpn. 50c	39 1/4	– 1/8	$1.20	—	2.2
46 1/2	37 1/4	♦Exxon	37 1/4	...	$3.40	—	7.1
20 1/4	12 1/4	FPL Group $0.01	19 1/4	+ 1/4	h$1.88	—	6.9
974p	447p	Fin. Corpn. Amer 50c	584p	–17	h34c	—	4.9

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
270	236	AMEC 50p	263	...	11.0	2.2	6.0	10.4
202	178	Aberdeen Const.	186	+2	7.25	♦	5.6	♦
310	190	♦Access Satellite 5p	190	...	♦2.0	2.5	1.5	37.3
25 1/2	17	Allied Plant 5p	17 1/2	...	B—	—	—	—
22	22	♦Amco Ind Hldgs	22	...	—	—	—	—
56	29	Arncliffe 10p	52	...	0.1	♦	0.3	♦
110	82	Atwoods	84	–2	3.5	1.8	6.0	14.7
280	212	BPB Inds. 50p	252	+2	7.7	3.0	4.4	10.0
266	206	Baggeridge Brick	250	...	6.25	3.7	3.6	10.8
32	20	Bailey (Ben) 10p	20	...	‡1.8	2.4	‡	3.7
40	25	Baldwin (H. J.) 10p	33	...	—	—	—	11.0
90	66	Barratt Dev. 10p	74	...	7.62	1.3	14.7	9.1
138	111	Bellway	121	+3	7.0	2.0	8.3	8.1
71	61	Benford M. 10p	66	+1	3.75	0.7	8.3	(35.1)

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
190	142	Lincroft Kilgour 10p	178	...	†5.5	2.5	4.5	10.4
311	209	MFI Furniture 10p	250	...	♦†4.6	2.8	2.6	19.0
148	115	Marks & Spencer	138	...	3.4	2.0	3.3	20.2
70	50	Martin (A.) 20p	68	...	3.0	2.7	6.3	6.7
303	218	Menzies (J.)	270	+8	3.38	4.8	1.8	16.7
171	116	Milletts Leis. 20p	155	...	3.95	—	1.6	—
525	305	Moss Bros 20p	440	...	5.0	1.4	1.6	25.5
130	96	NSS News 10p	112	+2	†1.3	2.9	4.2	11.7
365	275	Oliver (G.) "A"	310	...	8.0	♦	3.7	♦
585	333	Our Price 20p	538	+20	N3.0	4.0	0.8	40.2
290	178	Owen Owen	260	+10	3.9	1.0	2.1	22.6
107	68	♦Pepe Group 10p	72	–3	‡3.0	♦	6.1	♦
97	56	Peters Stores 10p	77	+3	‡‡2.0	—	‡	—
118	100	Preedy (Alfred)	110	...	†3.5	2.1	4.5	(12.1)

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
8 1/2	5 1/4	Astra Ind'l. 5p	6	...	‡0.13	—	‡	—
35	16	Aurora 10p	32	...	—	—	—	9.2
35	17	Do. Pref. Ord.	30	...	9%	—	9.3	—
110	50	BM Group 10p	107	–3	†1.1	2.4	1.7	33.4
170	130	Babcock Intl	131	–1	0.0	1.9	8.7	(7.2)
26 1/4	15 1/4	Bailey (C. H.)	16 1/2	– 1/2	—	—	—	—
230	160	Baker Perkins 50p	172	+1	♦6.75	♦	5.6	8.8
121	50	Barro Inds. 20p	121	...	N5.5	1.9	8.5	15.0
4 1/2	1 1/2	Barbican Hldgs 1p	1 1/4	...	B—	—	—	—
92	66	Beaufort 10p	90	...	4.5	2.5	8.0	7.2
150	98	Belgrave Hldgs.	108	...	4.2	3.5	5.6	7.4
22	15	Bevan (D.F.) 5p	21	+3	1.25	♦	8.9	♦
92 1/2	80	Birmid Qualcast	88 xd	...	‡3.25	1.9	5.3	7.1
245	203	Birmingham Mint	225 xd	–10	11.5	♦	7.3	♦
£24 1/4	£14 1/4	Black & Decker $0.50	£14 5/8	+ 1/8	Q64c	—	3.4	—
37	22	Blackwood Hodge	31	...	—	—	—	9.3
10 1/2	5	Boulton Wm 10p	7 1/4	– 1/2	—	—	—	—
138	114	Braithwaite £1	134	–2	9.1	8.5	9.7	—
61	40	Brasway 10p	56	...	†‡1.33	2.0	3.4	13.7
5 1/4	3 1/4	Bristol Ch. Ship10p	3 1/2	– 1/4	—	—	—	7.6
142	110	Brit. Steam 20p	125	...	6.25	2.2	7.1	8.8

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
26 1/2	19	Ryan Hotels 5p	21 1/2	...	Q18.57%	2.7	3.6	12.7
420	350	Savoy "A" 10p	368	+2	7.2	5.6	0.8	24.0
69	55	Stakis 10p	59	...	‡‡1.0	2.8	2.4	17.5
161	121	Trusthouse Forte	124	...	†4.74	1.7	5.5	13.1

INDUSTRIALS (Miscel.)

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
154	119	AAH	127	+1	†6.18	2.5	6.9	8.8
£12 1/4	975	AGA AB K25	975	...	hrQ7.3	♦	3.7	♦
255	175	AGB Research 10p	195	...	‡‡6.0	1.4	4.4	(21.1)
124	97	AIM 10p	100	...	d5.75	1.2	8.2	(13.4)
130	00	♦Aaronite Group	80	–13	2.8	3.1	3.6	9.1
112	70	Aaronson Bros. 10p	98	...	4.2	1.9	6.1	11.4
56	50	Abbey	56	...	—	—	—	5.9
56	30	Aberfoyle Hldgs. 5p	58	...	—	—	—	—
166	125	Alexander W'hose 10p	152	+2	bq4.5	2.3	4.2	14.3
£20 1/4	£15 1/4	Alfa-Laval AB'B'Sk50	£16 1/4	– 1/4	Q18%	♦	5.8	♦
143	115	Amari	120	...	2.7	8.3	3.2	8.1
140	85	Amber Ind. 10p	120	...	6.0	2.3	7.8	7.9
£17 1/2	£10 1/4	Amer Group FM20	£11	...	Q15%	1.0	1.4	29.8
116	47	Ang. African Fin 7 1/2p	47	...	—	—	—	7.3

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

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Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

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PROPERTY

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SHOES AND LEATHER

SOUTH AFRICANS

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Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ◆ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ǁ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	96	.....	Arnott	170	..
Craig & Rose £1	700	.....	CPI Hldgs	56	..
Finlay Pkg. 5p	61	.....	Carroll Inds.	134	+2
Higsons Brew	225		Dublin Gas	65	+3
Holt (Jos) 25p	725	..	Hall (R. & H.)	56	.....
IoM Stm. £1	85	+5	Helton Hldgs.	18	. .
IRISH			Irish Ropes	47	.. ..
Fund 11¾% 1989	£100½	.....	Jacob (W & R.)	80	.
Nat. 9¾% 84/89	£96¼xd	+1	Unidare	87	−1
Fin. 13% 97/02	£109½	+2½			

"Recent Issues" and "Rights" Page 38
(International Edition Page 34)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Gilt-edged strength continues but equities slip back

Engineering under pressure

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 17	June 27	June 28	July 8
July 1	July 11	July 12	July 22
July 15	July 25	July 26	Aug 5

* "New-time" dealings may take place from 2.30 am two business days earlier.

Government bonds moved higher for the 12th consecutive trading session yesterday but lack of follow-through support stifled an early attempt by London equities to extend Monday's recovery. Sterling and interest rate considerations continued to figure prominently in the Gilt-edged market which experienced a noticeable switch of interest to shorter maturities. This followed reports that there could be scope for further reductions soon in base lending rates.

The Chancellor's cautious approach to cheaper money failed to put off either domestic or overseas buyers. Institutional operators, including building societies and discount houses, became more active and selected short-dated Gilts advanced ¾ before turning away from the highest levels. The longs also recorded gains of ¾ but turnover at this end of the market was thinner because of growing shortages of stock; official supplies of the long tap were exhausted early on Monday morning. Index-linked issues were again excluded from buyers' lists reflecting the prospect of lower inflation.

Leading shares promised initially to repeat the previous day's better performance, but the absence of any worthwhile demand halted the advance. Later the Engineering sector came under attack following a warning that West Midland industry could be over the peak of the recovery. Many groups reported a falling off in orders and faltering growth. Some sector leaders fell sharply in price as the market over-reacted, but most managed to close above the worse levels.

With sterling uncomfortably high for international and exporting stocks, the market as a whole became restless. Announcement of last month's industrial production figures failed to check the decline and the market's changing fortunes were mirrored by the FT Ordinary shares index; up 5.2 after the first 30 minutes of business, the index closed a net 8.5 down on the day at 928.7.

Allied Irish jump

Allied Irish highlighted the banking sector, rising 11 to 135p on talk that the bank is on the verge of selling its near-43 per cent stake in U.S. associate, First Maryland Bancorp; the latter yesterday announced that it is pursuing discussions which could lead to a merger with a larger bank-holding company. Elsewhere, Union Discount gained 10 to 700p in anticipation of today's interim results. Clearing banks paid heed to the Deputy Governor of the Bank of England's warning on unsecured loans and drifted down for want of fresh support. Barclays, 15 lower at 400p, led the retreat, while Lloyds came back 14 to 403p. NatWest, which starts the interim dividend season on July 30, gave up 8 at 582p and Midland softened 5 to 392p.

PWS International provided an isolated dull feature in Insurances, falling 25 to a 1985 low of 245p on news of the proposed redundancy programme announced by the chairman at the annual general meeting.

Among recently-issued equities, Isotron moved up to 183p before a bout of profit-taking prompted a sharp reaction which left the close a net 16 down on balance at 172p.

Buildings were one of the few sectors to show signs of strength. The possibility of a further cut in interest rates and eventual reduction in mortgage rates lent support to a sector already buoyed by the call for the Government to embark on a major programme of road and building repairs. Leading stocks made steady progress before shading in the late dealings, but several noteworthy gains remained. Tarmac forged ahead to 332p prior to closing a net 6 up at 330p, while RMC gained a like amount at 378p. Secondary issues continued to present a selectively firm appearance. Marshalls (Halifax) attracted further support and rose 11 to 258p in a restricted market, while William Sindall advanced 40 to 490p for the same reason. HAT Group settled a penny cheaper at 96p, after 100p, following satisfactory annual figures and news of the part sale of its Houston Texas property development.

The view that the current strength of sterling would continue to impair ICI's dollar earnings potential brought the price down 12 to a year's low of 690p.

Ratners up afresh

A shade firmer initially reflecting confidence over consumer spending trends, leading Stores thereafter failed to attract follow-through demand and consequently closed no better than mixed. Awaiting the next moves in the takeover battle, Debenhams hardened a couple of pence to 329p, but Burton eased that much to 475p. Reports of a broker's bearish circular in the offing clipped 3 from Sears at 93p.

Elsewhere in Stores, Dixons met nervous selling awaiting today's annual results and dipped 7 to 712p, but buyers continued to display enthusiasm for Ratners after the impressive annual figures and the close was another 5 to the good at 85p. Interest was also noted for Etam, 5 better at 190p, Our Price, 20 dearer at 530p, and Hollas, 2 firmer at 28p, the last-mentioned in belated response to newsletter comment. Mail-orders made fresh progress. Empire rose 4 more to 132p, helped by news that Gecos has increased its holding to 17.67 per cent. Freemans attained a new 1985 high of 262p before settling 2 higher on balance at 258p, while Grattan put on 4 to 260p, after 262p.

British Telecom were resilient and firmed 6 to 177p, but other Electrical leaders drifted easier. Thorn EMI gave up 8 at 324p, while GEC, at 166p, and Plessey, at 134p, cheapened 2 apiece. STC closed 4 off at 100p in the wake of the reorganisation details. Elsewhere, Multitone fell 5 to 43p on the annual profits setback and Domino Printing declined 6 to 257p, also after disappointing trading news.

A Financial Times report that the economic upturn in the West Midlands appears to have peaked and Government action is now needed to deter another recession severely affected the Engineering leaders. GKN were particularly vulnerable and dropped 12 to 212p, while Delta lost 4 to 141p, after 140p. Vickers succumbed to persistent selling and lost 17 to 261p, while Hawker, also not helped by currency worries, declined 12 to 373p, after 370p. Babcock closed 3 down at 131p and Simon gave up 8 at 214p. By way of contrast, TI jumped 12 more for a two-day rise of 38 at 286p following renewed support ahead of the interim results scheduled for August 8; yesterday's rise was also accompanied by vague takeover gossip. Howden put on 3½ to 94p after the annual results.

Food Retailers failed to consolidate the previous day's improvement. After opening a few pence higher, most drifted back in the absence of follow-through support to close lower on balance. Cadbury Schweppes came on offer following an analysts' meeting and the close was 3 cheaper at 149p. Dee Corporation, a firm market recently, encountered profit-taking and settled 5 off at 248p. Elsewhere, Normans shed 2½ to 72p, the good annual profits being outweighed by the warning of substantially lower tea estate earnings for the current year.

Extel higher

A rise of 10 to 338p in Extel was accompanied by rumours of a large shareholding changing hands; Dr Ashraf Marwan of Monte Carlo acquired a 5 per cent stake in the company last month and said at the time he intended to increase it. Elsewhere in miscellaneous industrials, English China Clays found support at 235p, up 9p, while Charles Sharpe reflected buying in a thin market with a gain of 35 to 360p Wolverhampton Steam Laundry moved up 3 to 50p on expansion hopes, while speculative buying lifted British Bloodstock 8 to 240p and Kean and Scott 5 to 41p. Smith and Nephew rose 6 to 174p and Stonehill improved 4 to 112p. Aaronite were a late dull feature, falling 13 to 80p on news of the interim deficit. Among the leaders, Beecham hardened a few pence to 308p amid vague talk of a new drug being in the offing. Metal Box, however, reflecting the dullness of the Engineering sector, gave up 10 to 440p.

Motor Components lacked a decided trend. Lucas Industries rallied a couple of pence to 293p, while fresh support was evident for Armstrong Equipment, 3 up at 34p. AE, on the other hand, gave up 4 at 141p. Dowty, due to reveal first-half figures next Wednesday, declined 8 more to 166p.

Textiles remained mixed. Further consideration of the mid-term profits recovery lifted Robert H. Lowe 3 for a two-day gain of 7 to 32p. Sekers International, on the other hand, encountered sporadic profit-taking and, at 65p, gave up 3 of Monday's advance of 10 which followed the full-year figures. Stroud Riley Drummond eased a penny to 42p after announcing reduced annual profits, but merger partners Vantona Viyella, 360p, and Nottingham Manufacturing, 260p, added 4 apiece.

HoJo sale hopes prompted a flurry of business in Imps which improved to 175p; the excitement proved to be short-lived, however, and the shares later reverted to the overnight level of 169p. Rothmans, up to 128p earlier, settled a net penny cheaper at 125p, while Bats eased 5 to 298p.

Oils quiet

Leading oils moved within a narrow range. A firm opening was quickly eroded and prices slipped back only to stage a modest rally after-hours. BP touched extremes of 528p and 523p prior to closing little changed on balance at 525p, while Shell hardened a shade to 683p. Enterprise Oil were well supported, edging up 4 to 160p, but Britoil were a nervous market and drifted back 4 to 203p in the run-up to the sale of the Government's remaining 49 per cent stake at the end of the month. Invent Energy were outstanding in a generally easier secondary oils sector; the chairman's estimate of unaudited pre-tax profits of £8.5m for the year and the update on Paris Basin oil reserves prompted a late surge in the shares, which jumped £1¼ to £11½. North Sea & General Investments were again boosted by takeover speculation and advanced 11 more to 98p, for a two-day gain of 18. Irish exploration issues generally drifted back to their lowest levels this year. Energy Capital, a recent speculative favourite, dropped to 56p before rallying late to close a net 4 cheaper at 62p.

Golds erratic

South African Gold shares did little more than drift easier for much of the session as the bullion price traded around a rather disappointing $316.50 an ounce level. However, a sudden upturn in the latter, which touched $323 at one point before settling a net $3.25 higher at $319.75, prompted dealers to give share prices an immediate lift. Actual business remained at a relatively low level and prices subsequently retreated from their best levels. Traders were unsure as to why the bullion market suddenly improved but the movement was said to have originated in the U.S. where Comex gold futures were a strong market in early dealings amid talk of possible cuts in U.S. interest rates.

Australians suffered another minor setback in early Sydney and Melbourne markets and were marked down at the outset of trading in London. However, the late improvement in gold brought about a modest recovery after hours with the emphasis on precious metal producers. Gold Mines of Kalgoorlie were prominent and put on 10 to 447p, while Southern Resources added 3 to 100p.

Demand for Traded Options showed a slight improvement with 7,522 contracts done. The FT-SE 100 accounted for 272 calls and 334 puts, while the short Gilt option contributed 377 calls and 460 puts. ICI attracted a lively two-way business with 689 calls and 324 puts transacted.

FINANCIAL TIMES STOCK INDICES

	July 16	July 15	July 12	July 11	July 10	July 9	Year ago
Government Secs	83.13	83.15	82.89	82.70	82.66	82.33	70.79
Fixed Interest	87.85	87.60	87.56	87.49	87.46	87.53	81.60
Ordinary	928.7	937.2	926.0	934.4	933.1	936.0	770.3
Gold Mines	399.0	399.0	392.4	401.4	398.3	406.2	337.2
Ord. Div. Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.16
Earnings, Yld.% (full)	12.47	12.38	12.48	12.30	12.40	12.50	11.27
P/E Ratio (net)	9.76	9.87	9.79	9.86	9.78	9.69	10.04
Total bargains	19,980	20,490	21,612	20,638	12,170	20,452	18,560
Equity turnover £m.	—	275.2	668.20	400.57	298.2	344.22	182.00
Equity bargains	—	17,403	18,017	15,668	12,000	13,311	2,311
Shares traded (mil)	—	149.2	106.6	192.8	143.3	178.2	94.3

10 am 942.4, 11 am 936.5, Noon 933.3, 1 pm 931.2, 2 pm 931.2, 3 pm 931.0, 4 pm 929.4.

Day's High 942.7, Day's Low 928.7.

Basis 100 Govt. Secs. 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. Latest Index 01-246 8026.

*Nil=2.46.

HIGHS AND LOWS

	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	85.16 (15/7)	78.08 (3/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.66 (16/7)	[illegible]	150.4	50.55
Ordinary	1024.5 (22/1)	923.1 (10/7)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	666.2 (15/4)	526.4 (12/7)	734.7 (15/2/83)	45.6 (28/10/71)

S.E. ACTIVITY INDICES

	July 16	July 15
Daily Gilt Edged Bargains	166.8	159.0
Equities Bargains	106.2	116.1
Value	652.6	666.6
5 day Average Gilt Edged Bargains	131.2	154.0
Equities Bargains	111.5	115.3
Value	666.3	362.9

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (66)

BRITISH FUNDS (35)
INT BK & O'SEAS GOVT STLG ISS (5)
Asian Dev 10¼pc 09 Ita Am Dv 9¼pcLn 15
Austral'n 11½pcLn 15 N. Zealand 11½pc 14
EuroInvBk 11pcLn 02
CORPORATION LOANS (4)
Herts 8¼pc 1985-87 Ldn Corp 9½pc 84-88
Leeds 13½pc 2006 LCC 5½pc 1985-87
COMMONW'TH & AFRICAN LOANS (1)
LOANS (4)
Nationwide 12pc Nationwide 12½pc
Nationwide 12¾pc Agric Mrt 5pc 59-89
BANKS (2)
Bank of Ireland Bank Leumi (UK)
BUILDINGS (4)
Marshalls Halifax Sindall (Wm)
Mowlem (J.) Tarmac
CHEMICALS (1)
Stewart Plastics
STORES (2)
Freemans Ratners
FOODS (2)
Cullen's Hldgs Slaters Food
INDUSTRIALS (1)
Cole Group
LEISURE (1)
Leisure Inv
PROPERTY (1)
Regalian
TRUSTS (2)
Murray Growth S Kitchen (R.) Taylor
OILS (1)
British-Borneo

NEW LOWS (88)

BRITISH FUNDS (1)
Treas 2½pc IL 2013
AMERICANS (10)
Amax IC Inds
American T&T IU Intnl
BankAmerica Sun Co Inc
Cenergy Corp Tenneco
Ohio Corp Texaco
CANADIANS (1)
Midepsa
BANKS (1)
Hambros
BUILDINGS (2)
Burnett & H'mshire May & Hassell
CHEMICALS (3)
Canning (W.) Rentokil
ICI
STORES (1)
Casket (S.)
ELECTRICALS (10)
A & G Secs Elecs Domino Print Sci
Automated Security Elecaron House
CRE Tech Multitone Elect
DDT Northamber
Dewhurst Electrical Wayne Kerr
ENGINEERING (8)
Babcock Intnl Simon Eng
Hawker Siddeley Spirax-Sarco
RHP
INDUSTRIALS (12)
Aaronite Interlink Tech
Baxter Travenol Jourdan (T.)
Baynes (Charles) Mitchell Cotts
Borg-Warner Pritchard Services
British Aerospace Schlumberger
CH Industrials Tod (W. & J.)
INSURANCE (1)
PWS Intnl
LEISURE (2)
Capital V Facilities Spectrum
MOTORS (4)
Jaguar Flight Refuelling
Dowty Quick (H. & J.)
TEXTILES (1)
Dawson Intnl
TRUSTS (9)
Ashdown Inv Inv in Success
British Inv New Darien Oil Tst
Fleming O'seas Tst Scot Mge & Tst
GBC Capital How Par
Group Investors
OILS (10)
Aran Energy Cluff Oil
Berkeley Expln Eglinton Oil & Gas
Bryson Oil & Gas Jackson Expln
Bula Resources New Court Natural
Chevron Corp
OVERSEAS TRADERS (1)
Inchcape
MINE (4)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	71	14	23
Corpns, Dom. and Foreign Bonds	39	1	38
Industrials	223	266	989
Fin. and Props.	82	85	333
Oils	17	26	84
Plantations	1	4	14
Mines	33	27	100
Others	76	66	106
Totals	561	483	1,786

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
July 8	July 19	Oct 10	Oct 21
July 22	Aug 2	Oct 24	Nov 4
Aug 5	Aug 16	Nov 7	Nov 18

For rate indications see end of Share Information Service

Money was given for the call of Barratt Developments, Ellis and Goldstein, H. Slingsby, Wace, Beaumont Oil and Gas, RHM, BSG International, Bristol Oil and Minerals, Allied-Lyons, Falcon Resources, Energy Capital, Tranwood and Stewarts Plastics. No puts were reported, but a double was arranged in Falcon Resources.

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tues July 16 1985

FIXED INTEREST

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p. ‡Corrected Figures: 12/7/1985

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 64,085

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

July 16 Total Contracts 7,522. Calls 3,034. Puts 4,488

*Underlying security price

WORLD STOCK MARKETS

AUSTRIA

July 16	Price Sch%	+ or −
Creditanstalt	352	−3
Goesser	501	−14
Interunfall	1,510	−30
Laenderbank	340	−6
Perlmooser	376	+1
Steyr-Daimler	163	−14
Veitscher Mag	345	−3

JAPAN (continued)

July 16	Price Yen	+ or −
MHI	523	+3
Mitsui	422	+1
Mitsui Estate	831	−2
Mitsukoshi	685	+6
NGK Insulators	738	
Nihon Cement	352	+4
Nippon Denso	1,520	
Nippon Elect	944	+28
Nippon Express	466	+3
Nippon Gakki	1,180	+140
Nippon Kokan	149	+2
Nippon Oil	960	+7
Nippon Seiko	500	+25
Nippon Shimpan	680	
Nippon Steel	161	−5
Nippon Suisan	670	
NTV	10,320	+180
Nippon Yusen	303	+5
Nissan Motor	650	+34
Nisshin Flour	481	−12
Nisshin Steel	179	+1
Nomura	1,310	−10
Olympus	1,060	+40
Orient Leasing	3,000	−100
Pioneer	1,700	+20
Renown	680	−20
Ricoh	870	−5
Sankyo	1,070	+10
Sanyo Elect	402	−1
Sapporo	480	+5
Sekisui Prefab	704	+14
Seven-Eleven	8,170	
Sharp	836	+6
Shimadzu	656	−46
Shionogi	765	+55
Shiseido	1,040	+10
Sony	3,760	+10
Stanley	740	+54
S'tomo Bank	2,010	
S'tomo Elect	726	+35
S'tomo Marine	765	−14
S'tomo Metal	154	
Taihei Dengyo	551	+21
Taisei Corp	308	−16
Taisho Pharm	1,050	+49
Takeda	760	+25
TDK	4,120	+40
Teijin	440	+7
Teikoku	658	−12
Tokio Marine	970	−15
TBS	842	−1
Tokyo Elect Pwr	2,170	−20
Tokyo Gas	232	−2
Tokyo Sanyo	674	+16

Indices

NEW YORK - DOW JONES

	July 16	July 15	July 12	July 11	July 10	July 9	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,341.51*	1,335.46	1,338.60	1,331.70	1,332.89	1,321.91	1338.60 (12/7)	1184.96 (4/1)	1338.60 (12/7)	41.22 (2/7/32)
Transport	696.16*	689.28	687.97	676.67	683.12	668.54	689.28 (15/7)	553.03 (4/1)	689.26 (15/7)	12.32 (8/7/32)
Utilities	168.14*	168.65	168.91	167.78	161.42	168.70	168.91 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
Trading vol		103.9m	120.3m	122.8m	108.1m	95.0m	–	–	–	–

	July 5	June 28	June 21	Year Ago (Approx)
Ind Div Yield %	4.58	4.58	5.10	5.04

STANDARD AND POORS

	July 16	July 15	July 12	July 11	July 10	July 9	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	212.75*	111.18	212.48	112.23	111.78	110.29	212.48 (12/7)	128.24 (4/1)	212.48 (12/7/85)	3.62 (30/6/32)
Composite	193.61*	192.72	193.29	192.84	192.37	191.85	193.29 (12/7)	163.88 (4/1)	163.29 (12/1/85)	4.40 (1/6/32)

	July 10	July 3	June 28	Year Ago (Approx)
Ind div yield %	3.69	3.70	3.72	4.32
Ind. P/E Ratio	11.99	11.96	11.90	10.65
Long Gov Bond Yield	10.20	10.44	10.87	13.31

N.Y.S.E ALL COMMON

July 16	July 15	July 12	July 11	1985 High	1985 Low
112.37*	111.83	112.11	111.85	112.13 (12/7)	94.98 (4/1)

RISES AND FALLS

	July 15	July 12	July 11
Issues traded	2,009	2,021	1,993
Rises	874	846	943
Falls	680	661	619
Unchanged	455	514	431

New York Active Stocks

Capital Intl. (1/1/70) – 220.0 220.8 218.8

* Indicates pre-close figure ** Saturday June 30 Japan Nikkei Dow 10428.43 ... all indices are 100 except Australia All Ordinary and Metals – 500 NYSE All Common – 50 Standard and Poors – 101 and Toronto Composite and Metals – 1000 Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds ‡ 400 Industrials § 400 Industrials plus 40 Utilities, Financials and 20 Transports c Closed u. Unavailable

LONDON Chief price changes (in pence unless otherwise indicated)

RISES			FALLS		
Tr 5 86–89	£84⅞	+£⅞	Tr 2½ IL 11	£103⅞	−£½
Tr 15½ 1998	£136½	+£⅞	Aaronite	80	−13
Allied Irish	135	+11	Barclays	400	−15
Armstrong Equip	34	+3	Delta Group	141	−4
British Telecom	*177	+6	Dowty	166	−8
Eng China Clays	235	+9	GKN	212	−12
Extel	338	+10	Hawker Siddeley	373	−12
Invent Energy	£11½	+£1¼	ICI	690	−12
Pineapple Dance	41	+6	Isotron	172	−16
Ratners (Jewel.)	85	+5	Multitone Elec	43	−5
TI	286	+12	PWS Intl	245	−25
Tarmac	330	+6	STC	100	−4
			Vickers	261	−17

* Partly-paid

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

The outlook proves more encouraging

INVESTORS displayed more optimism on Wall Street yesterday in response to favourable reports on President Reagan's medical condition as well as wider economic factors, *writes Terry Byland in New York.*

By mid-session, bond prices were more than a point higher, and the stock market continued to challenge its recent peaks as share trading showed a welcome increase.

At 3pm, the Dow Jones industrial average was up 8.63 at 1,344.09 compared with the previous record closing level of 1,338.60 set on July 12 this year.

Reports of buying of U.S. federal bonds by foreign, probably Japanese, investors were borne out by the steadier tone in the dollar. But U.S. buyers were also in evidence, on a growing belief that Mr Paul Volcker, the Federal Reserve chairman, will tell Congress today that the Fed intends to continue de-emphasising money supply in formulating policy. This would allow the Fed room to ease credit, in order to stimulate the sluggish U.S. economy.

Oil stocks were quieter but Detroit motor stocks improved despite the sharp fall in U.S. industry sales. Schlumberger, the oil search firm, dipped $⅝ to $36¾ on announcing lower profits.

Technology stocks rebounded strongly on the absence of any new shocks from the quarterly reporting front. Honeywell, despite the fall in earnings, gained $⅜ to $61⅞. IBM at $126⅞ gained a further $1⅜ and other winners included Digital Equipment, $2⅞ up at $98⅝, Control Data $1⅛ firmer at $29, and Burroughs, $⅞ higher at $58¼.

Heavy trading in AT&T stock continued and, with both buyers and sellers in the market, the shares were only $⅜ off at $21⅞. Among the Bell telephone companies, Ameritech added $¼ to $95¾, Nynex $½ to $91¾ and Pacific Telesis $⅝ to $81⅝, all after disclosing results.

However, GTE, the largest independent telephone system, shed $⅛ to $41⅝, on lacklustre profits growth.

WE REGRET North American stock price listings were not available for this edition due to the failure of a computer used by our Frankfurt printers.

Other sectors of manufacturing industry continued to report mixed fortunes. Cincinnati Milacron, the major U.S. toolmaker, dipped $¼ to $20⅞ on a heavy profit fall. Scott Paper shed $⅛ to $20⅝ despite higher earnings, while great Northern Nekoosa greeted lower profits with a fall of $⅝ to $39⅝.

Among the defence stocks, Northrop jumped $⅝ to $55⅝, with a substantial profits gain boosted by special factors. Boeing added $⅛ to $47⅞, and McDonnell Douglas $½ to $84¾.

Publishers McGraw-Hill dipped $1⅛ to $48 after results. Time Inc., however, held steady at $27 although profits were only modestly up.

Pfizer, the drug group, edged up $¼ to $52¾ on increased second-quarter earnings. Analysts were less pleased with Eli Lilly, however, and the stock dropped $1⅞ to $87⅞ on unimpressive figures.

Other corporate features included Teledyne, down $1⅛ at $258, IC Industries $⅛ off at $33¾ and Lukens $¼ lower at $14⅛, all responding to trading statements. G. H. Heileman, the brewer, gained $½ to $20 on results.

Gains in retail and department store issues reflected the record levels of consumer debt reported in the U.S. Sears put on $⅜ to $36⅝ and K mart $⅝ to $36⅞. Great Atlantic and Pacific was $⅜ better at $16⅞ on news that the board would be taking a look at dividend policy now that trading has improved.

Financial stocks, bought heavily ahead of the reporting season, looked a little weary as the trading reports unfolded. Citicorp, the biggest bank in the U.S., shaded $¼ lower to $49⅛ as analysts scrutinised the earnings statement. At $39¾, Manufacturers Hanover was initially unchanged on the figures. Mellon Bank of Pittsburgh, added $⅜ to $56⅛ as profits continued to recover.

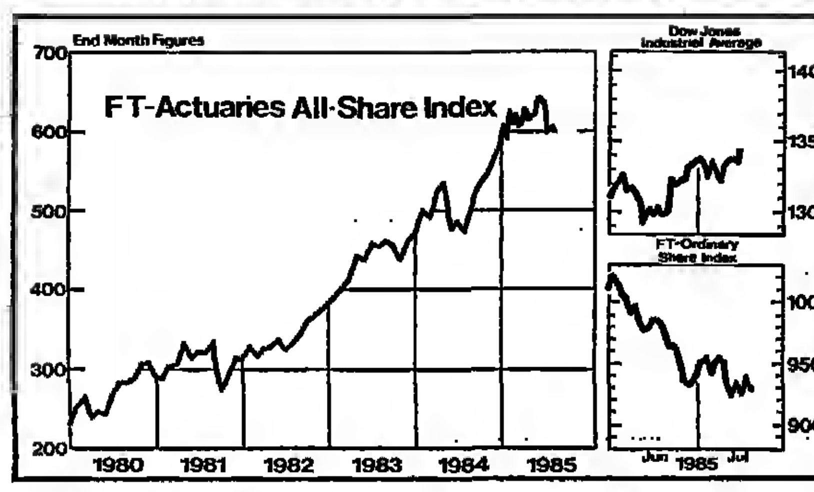
Californian banks reporting included Security Pacific, down $⅜ to $30⅝ despite increased earnings, and Wells Fargo unchanged at $81.

Other regionals reporting progress included Texas Commerce Bancshares, $¼ lower at $31⅜ after reporting almost the only profit fall in the industry, and Baybank, $½ up at $57¼.

Among takeover issues, American Hospital Supply settled at $45⅝, a fall of $¼ in heavy trading after agreeing to the Baxter Travenol offer of $51 a share in cash and paper. Baxter, also reporting profits yesterday, gained $⅛ to $14⅞, with about 2m shares traded. The defeated suitor, Hospital Corp of America was also heavily traded and shed $⅞ to $50⅝ as disappointed speculators baled out.

In the credit market, short-term rates eased downwards as federal funds dipped to 7½ per cent after the Fed made $2.5bn customer repurchase arrangements when the rate stood at 7 9/16 per cent. Bonds held very firm, although slightly off their best levels.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	July 16	Previous	Year ago
DJ Industrials	1,344.09*	1,335.46	1,116.83
DJ Transport	698.50*	689.26	460.60
DJ Utilities	168.03*	168.65	126.88
S&P Composite	194.13*	192.72	151.60
LONDON			
FT Ord	928.7	937.2	770.5
FT-SE 100	1,239.5	1,243.6	1003.0
FT-A All-share	596.74	599.08	471.85
FT-A 500	648.48	650.91	508.03
FT Gold mines	399.0	399.6	537.8
FT-A Long gilt	10.24	10.25	11.20
TOKYO			
Nikkei-Dow	12,698.26	12,598.77	10,177.60
Tokyo SE	1,031.80	1,029.60	774.95
AUSTRALIA			
All Ord.	902.5	903.3	676.9
Metals & Mins.	503.5	508.3	421.5
AUSTRIA			
Credit Aktien	95.61	96.04	53.85
BELGIUM			
Belgian SE	2,296.46	2,329.3	—
CANADA			
Toronto			
Metals & Minls	1,904.6*	1,819.11	1,749.0
Composite	2,761.3*	2,756.44	2,172.9
Montreal			
Portfolio	136.03*	135.64	105.29
DENMARK	July 16	Previous	Year ago
SE	n/a	210.77	187.3
FRANCE			
CAC Gen	218.8	219.8	168.7
Ind. Tendance	125.3	125.4	89.59
WEST GERMANY			
FAZ-Aktien	469.79	473.86	330.25
Commerzbank	1,379.0	1,388.0	953.8
HONG KONG			
Hang Seng	1,632.99	1,640.49	791.15
ITALY			
Banca Comm.	353.52	347.27	208.99
NETHERLANDS			
ANP-CBS Gen	215.1	216.7	153.2
ANP-CBS Ind	181.9	183.3	123.8
NORWAY			
Oslo SE	334.26	329.46	239.51
SINGAPORE			
Straits Times	722.60	717.95	871.46
SOUTH AFRICA	July 16	Prev	Yr ago
JSE Golds	—	948.6	894.7
JSE Industrials	—	1,035.8	875.9
SPAIN			
Madrid SE	110.38	107.00	90.02
SWEDEN			
J&P	1,312.53	1,318.04	1,474.55
SWITZERLAND			
Swiss Bank Ind	451.7	458.8	361.2
WORLD	July 15	Prev	Year ago
Capital Int'l	220.0	220.8	169.5

GOLD (per ounce)

	July 16	Prev
London	$319.75	$316.50
Zürich	$317.25	$316.25
Paris (fixing)	$317.51	$314.83
Luxembourg	$317.25	$317.25
New York (Aug)	$321.00	$318.40

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR July 16	Previous	STERLING July 16	Previous
$	—	—	1.388	1.3885
DM	2.886	2.877	4.005	4.0
Yen	237.70	237.65	330.0	330.25
FFr	8.7575	8.7475	12.165	12.145
SwFr	2.393	2.392	3.32	3.32
Guilder	3.2445	3.244	4.505	4.5025
Lira	1,868.0	1,866.50	2,594.0	2,589.5
BFr	58.05	57.85	80.6	80.5
C$	1.3525	1.351	1.8755	1.8725

INTEREST RATES

	July 16	Prev
Euro-currencies (3-month offered rate)		
£	12	12 1/16
SwFr	5⅛	5⅛
DM	5 7/16	5 7/16
FFr	10 7/16	10 7/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	8	8
6-month U.S.$	8⅛	8⅛
U.S. Fed Funds	7⅝*	7¾
U.S. 3-month CDs	7.55*	7.60
U.S. 3-month T-bills	7.015*	7.04

U.S. BONDS

Treasury	July 16* Price	Yield	Prev Price	Yield
8¾ 1987	99 25/32	8.67	99 19/32	8.27
10¾ 1992	101 3/32	10.04	101 3/32	10.06
11¼ 1995	106 5/32	10.17	106 5/32	10.18
11¼ 2015	108 3/32	10.36	107 27/32	10.40
Corporate	**July 16*** Price	Yield	**Prev** Price	Yield
AT&T				
10⅜ June 1990	101.27	10.00	101.27	10.00
3⅞ July 1990	81.00	8.70	81.00	8.70
8⅝ May 2000	84⅞	10.80	84⅞	10.80
Xerox				
10¼ March 1993	100¾	10.50	100¾	10.50
Diamond Shamrock				
10¼ May 1993	99⅝	10.65	99⅝	10.65
Federated Dept Stores				
10¼ May 2013	95¾	11.10	95¾	11.10
Abbot Lab				
11.80 Feb 2013	104⅞	11.20	104⅞	11.20
Alcoa				
12½ Dec 2012	99⅝	11.90	99⅝	11.80

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	77-16	77-24	77-09	77-12
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	93.01	93.03	92.94	92.96
Certificates of Deposit (IMM) $1m points of 100%				
Sept	92.37	92.40	92.29	92.29
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	92.08	92.09	91.93	91.96
20-year Notional Gilt £50,000 32nds of 100%				
Sept	112-14	112-25	112-14	112-20

COMMODITIES

(London)	July 16	Prev
Silver (spot fixing)	438.55p	436.15p
Copper (cash)	£1,049.50	£1,039.50
Coffee (Sept)	£1,648.00	£1,643.00
Oil (spot Arabian light)	$26.95	$26.95

LONDON

Recovery runs out of steam

AN EARLY attempt by London equities to extend Monday's recovery soon ran out of steam, but government bonds moved higher for the twelfth consecutive trading session.

The Financial Times ordinary index closed 8.5 lower at 928.7, having been 5.2 ahead after the first 30 minutes of trading.

Sterling and interest rate considerations continued to figure prominently in the gilt-edged market which saw a shift of interest to shorter maturities. Some short-dated gilts advanced ⅛ before turning away from the highest levels while selected gains of up to ⅜ were also seen at the longer end.

Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32-33

HONG KONG

PROFIT-TAKING took its toll on share values in Hong Kong after Monday's strong performance, with the Hang Seng index once again meeting stubborn resistance as it nears the high for the year achieved in mid-May.

The index gave up 7.50 to 1,632.99 having moved 24.71 higher the previous session. Turnover was sharply lower at HK$289.55m

Hongkong Land was 5 cents lower at HK$6.35 in the wake of its decision to cancel the sale of its Excelsior hotel.

AUSTRALIA

THE EARLY strength of the Australian dollar depressed share values at the start of Sydney trading but prices picked up later in the day as the currency eased.

The All Ordinaries index ended a net 0.7 lower at 902.6, having been 2.6 down at one stage and the Gold index fell 6.7 to 854.1, despite gains in New York bullion prices.

Resources stocks led the market decline with CSR falling 4 cents to A$3

CANADA

A SHARP rise in gold stocks underpinned a broad advance in active Toronto trading.

Among golds, Lake Shore posted a C$2¾ advance to trade at C$82 while Little Long Lac put on C$1½ to C$66¼ and Lac Minerals rose C$1 to C$30¼.

Montreal traded marginally ahead with advances in the banking sector but modest declines were recorded by industrials and utilities.

SINGAPORE

A TECHNICAL day's trading which saw stoploss selling alternating with short-covering left Singapore to close mixed with the Straits Times industrial index up 4.65 at 722.60.

Among actively traded issues, OCBC eased 5 cents to S$8.25 while Pan Electric and Consolidated Plantations each rose 9 cents to S$2 and S$2.40 respectively.

SOUTH AFRICA

GOLD STOCKS were mostly steady in light Johannesburg trading despite the improvement in the bullion price late in the day.

Among leading issues, President Steyn firmed 25 cents to R48 and Vaal Reefs was 75 cents higher at R169.50.

TOKYO

Uncertainty lingers despite rally

AN UNCERTAIN mood overhung the Tokyo stock market yesterday, although some restrained buying of blue chip-stocks among the biotechnology, electrical and precision instrument sectors underpinned a rally after Monday's sharp decline, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average advanced 99.49 to 12,698.26, the first gain in seven sessions. But volume shrank from 655.51m shares Monday to 403.69m. Gains outnumbered losses by 456 to 375, with 116 issues unchanged.

During the six-day losing streak, the Nikkei-Dow declined 441.33 points prompting some bargain hunting. However, many investors remained out of the market, doubtful about the prospects for blue chips and biotechnology issues.

Among biotechnologies, Mochida Pharmaceutical scored a daily limit gain of Y500 to Y10,090. Dainippon Pharmaceutical advanced Y300 to Y3,360, while Yamanouchi Pharmaceutical and Daiichi Seiyaku rose Y210 each to Y2,860 and Y2,090 respectively. Asahi Chemical closed Y855, up Y40.

NEC advanced Y28 to Y944, Matsushita Electric Industrial put on Y40 to Y1,290 and Hitachi finished Y11 higher at Y696. Fujitsu was up Y22 at Y926.

Precision instrument stocks also firmed, with Nippon Kogaku going up Y50 to Y1,040, Canon Y21 to Y1,020 and Olympus Y40 to Y1,060.

Constructions opened lower but were actively sought during the afternoon. Tobishima lost Y21 at one stage, but finished Y12 up at Y382. Japan Development and Construction added Y2 to Y371, while Nippon Hodo advanced Y70 to Y1,320.

However, Sato Kogyo, which had been leading construction issues, shed Y15 to Y363 and Kumagai Gumi dropped Y13 to Y772.

Large-capital stocks were actively traded, reflecting the yen's recent advance against the dollar, but prices were mixed. Mitsubishi Heavy Industries gained Y3 to Y323, but Ishikawajima Harima Heavy Industries, the busiest stock with 13.22m shares changing hands, lost Y3 to Y178. Nippon Steel, third with 10.50m shares, closed Y5 lower at Y161.

Elsewhere, Sumitomo Metal Mining jumped Y120 to Y1,930 on expectations that the results of test drilling at its gold mine in Kagoshima Prefecture will be announced shortly.

Prices eased on the bond market in light selling. Buying continued in the morning when the yen opened sharply higher at 235.20 to the dollar, but selling mounted as the rate declined past the 238 mark in the afternoon. The yield on the benchmark 6.8 per cent government bonds, maturing in December 1994, rose from 6.320 per cent Monday to 6.340 per cent.

EUROPE

Brussels falls prey to politics

THE DISLOCATION in Belgian politics caused by the threatened resignation of the country's centre-right coalition Government shook trading in **Brussels** yesterday and effectively erased the advance scored over the past two months.

Other European bourses were generally weaker as they moved under the influence of Wall Street's overnight nervousness and persistent doubts about the dollar's future course.

The Brussels stock exchange index fell below the 2,300 barrier for the first time since May 23, declining 32.84 to 2,296.46. No sector was immune from the selling, which lifted volume to relatively high levels.

Professional traders were prominent sellers and analysts interpreted the absence of small investors as indicating a general belief that the political crisis will soon be resolved.

The heaviest turnover was registered by the financial holding company, Société Générale de Belgique which closed down BFr 25 at BFr 1,770 and in Petrofina, the nation's largest company, which registered a BFr 30 fall to BFr 5,580.

Stocks which generally have narrow markets were the sharpest losers. Electrical holding companies were prime examples with Electrobel down BFr 140 to BFr 8,400 and Electrofina BFr 95 lower at BFr 4,255.

Kredietbank was the main loser in the banking sector, dropping BFr 100 to BFr 8,850, while Solvay led the chemical sector lower with a BFr 100 fall to BFr 4,195.

Frankfurt continued lower, dispelling notions that recent falls had taken prices to new support levels. The Commerzbank index fell a further 9 to 1,379.0.

Profit-takers appeared late in the session and wiped out many of the advances scored shortly after the start of business, as uncertainty grew about the impact of the dollar's decline on profits of export-oriented companies.

Automotive stocks were again at the centre of most concern. Daimler added to Monday's DM 24 decline with a fall of DM 6 to DM 833 while BMW closed DM 11 lower at DM 389 and Volkswagen slid DM 11 to DM 292.50.

Banks were sheltered from much of the selling. Losses were generally smaller than those recorded on Monday with Deutsche Bank ending DM 3.50 down at DM 553.50 and Dresdner down DM 1 to DM 256.50.

Among chemical stocks, BASF eased DM 3.80 to DM 212.80, Bayer DM 5.80 to DM 214 and Hoechst DM 7.20 to DM 212.80.

Bond prices were little changed and the Bundesbank cut its sales of domestic paper to DM 2.5m from DM 13.7m on Monday.

Profit-takers asserted firm control over trading in **Zurich** with stocks deriving part of their earnings from U.S. sales under particular pressure.

Hoffmann La-Roche's encouraging interim sales figures failed to rescue it from the sellers and it closed SwFr 100 lower at SwFr 9,450.

Among bank stocks, Crédit Suisse lost SwFr 35 to SwFr 2,885.

A broad decline developed in **Amsterdam**, also sponsored by the dollar's weakness.

Unilever climbed back from being Fl 4.50 lower during the morning to end Fl 3.40 lower at Fl 347.60 while, among insurers, Aegon eased 60 cents to Fl 97.40 and Natned 40 cents to Fl 74.10.

Paris stocks were mixed with an easier bias towards the close as trading resumed after a three-day break for a public holiday.

The modest support during the morning was highly selective, centred on favoured banking and construction stocks.

Milan displayed a distinctly brighter tone during heavy trading at the start of a new monthly account. A broad-range of industrial issues gained ground with insurance and holding companies also well supported.

Trading remained quiet in **Madrid**, although there was a slight upward trend. **Stockholm** edged lower in dull trading during the peak of the country's holiday season.

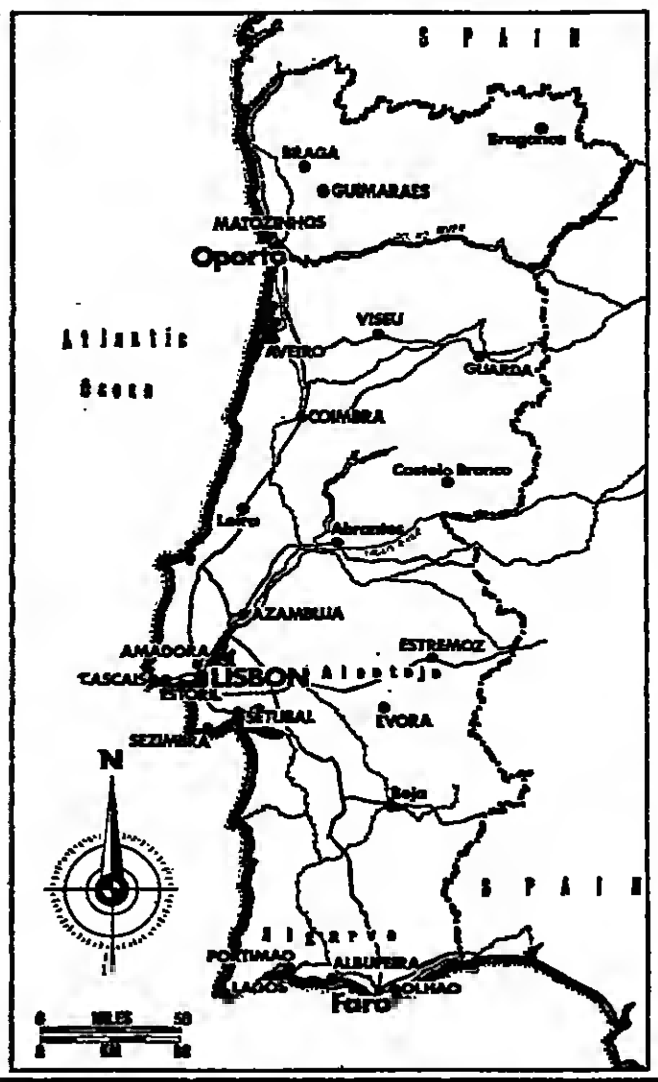
SECTION III

FINANCIAL TIMES SURVEY

Lisbon seen across the River Tagus

Coalition falls on brink of EEC entry

The collapse of the Centre-Left alliance ends Sr Mario Soares' two-year rule. However, Portugal's foreign debt is now under control, a hopeful sign for the country's European entry.



Contents

By DAVID WHITE

IT WAS NOT just as a photogenic setting that the 16th-century Jeronimos Monastery, set back from the Tagus Estuary, was chosen as the place for Portugal to sign its accession treaty to the EEC.

The monastery stands as an emblem for an age when Portugal's navigational knowledge made it the Silicon Valley of its time. The monastery was built after the return of Vasco da Gama from the expedition which first established the sea roote to India. For decades, Portuguese captains had been pushing down towards the southern tip of Africa in search of trading riches. Once they had passed it, they renamed the Cape of Tempests the Cape of Good Hope.

The EEC is today's Cape of Good Hope for the Portuguese, reached with relief after years of frustration for Portugal, reduced to the poorest among the former European colonial powers.

It was somehow typical, however, that its political leaders should choose precisely this moment, as the country was achieving its prime long-range aim, to force the collapse last month of the Centre-Left coalition beaded by Sr Mario Soares.

The collapse brings an end to Sr Mario Soares' two-year government—the most durable Portugal bas had since the overthrow of the Caetano regime in 1974 and the one which, with 176 of the 250 seats in the single-chamber assembly, has enjoyed the biggest parliamentary majority.

Now, with less than six months to go before EEC membership, Portugal is back in the political quicksand. For want of an agreed interim alternative, however, it looks as if Sr Soares' crippled Cabinet may continue to govern until elections in the autumn.

The decision by Sr Anibal Cavaco Silva, the new Social Democrat leader, to pull the rug out from under the Socialists at this juncture—with presidential and local elections already looming at the end of the year—can hardly be a popular one. But it is also no great surprise. The coalition was virtually condemned to founder, anyway.

The Portuguese have a propensity for improvising, for making decisions on a short-term basis; and for precarious solutions—an approach which one prominent member of the outgoing government aptly refers to as "coastal navigation."

It would be a mistake to overstate the damage. The Soares coalition did at least have time to bring Portugal's $15bn foreign debt under control and dramatically improve its external payments situation, with a current account deficit down to $500m last year from $3.2bn in 1982.

Portugal's standing with the international banking community has improved immeasurably, and probably enough to see it through its political intermission.

However, important reforms waiting to be undertaken before entry—including an easing of the country's rigid labour laws—now risk being held up. Structural reforms have in any case been slow in materialising, making the most progress in the financial sector, which has been opened up to new Portuguese and foreign banks for the first time since the nationalisations of the mid-1970s.

It is a fairly open bet who will be Portugal's president, and who the next Prime Minister, in the EEC next year, and whether the two will be able to work smoothly together.

There has never been much doubt that Sr Soares—for whom the EEC treaty was a kind of consecration as a statesman—covets the prestige of the presidency. But he is up against a heavyweight of the Portuguese Right, Sr Diogo Freitas do Amaral, 44-year-old former deputy premier and former Christian Democrat leader, as well as the unorthodox figure of Sra Maria de Lurdes Pintasilgo, a former stand-in prime minister, who has managed to gather a strong Left-wing following. The current president, Gen. Antonio Ramalho Eanes, is not eligible to stand again.

One of the key problems in the forthcoming set of elections is whether the parliamentary majority will turn out the same colour as the presidency. Just like France, Portugal faces a potential constitutional jam over this, particularly since the next president is likely to be more "political" than Gen Eanes.

In short, it is questionable whether the coming months, as the Portuguese go loyally back-and-forth to the polling stations, will produce any greater stability.

Portugal has had 15 governments since the 1974 revolution—an average of one every nine months. The economy has suffered as a result (which is not to say that Portugal is in any way worse off than under the backward-looking Salazar dictatorship).

It should not be forgotten that at the same time the country has had to go through decolonisation, which has meant absorbing close to 1m people from the former African possessions, a tenth of the Portuguese population. More decolonisation traumas loom now with the prospect of a deal with China over the Portuguese-administrated territory of Macao.

The gains in average living standards seen immediately after the revolution have been considerably eroded in the last two years. Austerity policies designed to solve the external crisis have left the country deep in recession. Exports have been thriving, but consumption at bome has witbered.

Poverty is more dramatic today in urban zones such as Lisbon and Setubal than in the rural areas where it was always known. Regional development and the savings of emigrant workers have made a visible impact on areas such as Tras-os-Montes, the back-of-beyond of the north-east.

By contrast, some of the industrial centres are faced with a growing problem of real deprivation. Hunger is a campaign issue of the Communist party, and is treated as such by the authorities. But church leaders confirm the existence of extreme need, made worse by pressure on housing space and the break-up of the extended family.

The Caritas aid organisation says it has been receiving 45 families a day from the Lisbon outskirts alone, more than it can cope with. Half of those applying to the organisation for help are resettled people from Portuguese-speaking Africa. In places where soup kitchens had already operated and been closed, they are being opened again.

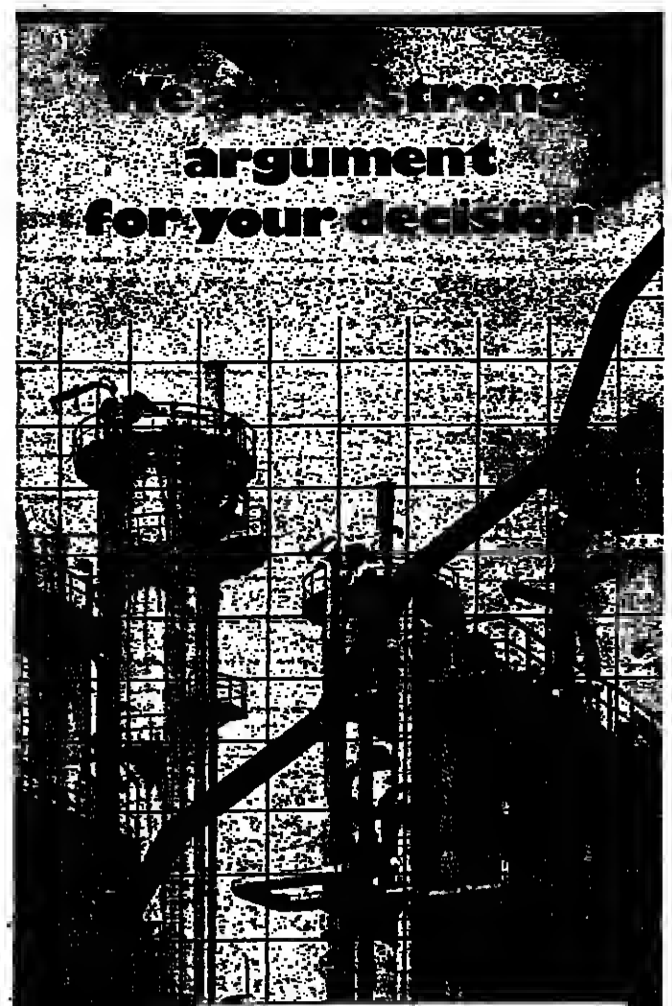
These are the more spectacular symptoms of a pinch that everyone has been feeling. With inflation running at well over 20 per cent, real wages have dropped by at least 17 per cent in the last two years. Delays in salary payments have become a fixed feature, affecting tens of thousands of workers.

The talking points in Portugal these days—apart from the dismal subject of politics—are bad debts, bounced cheques, contraband and speculation. The most famous example of speculative fever was the clandestine banking phenomenon known as "Dona Branca," a plausible old lady who paid 20 per cent a month until the bubble burst.

The weekly draw for a new lottery, Totoloto, stops the country. People are prepared to pay contributions towards a new car for five years—five years, that is, before receiving the car—on the off-chance of winning one by a lucky draw on the way.

The Portuguese will be the poorest members of the Common Market, with income per head that is half of

CONTINUED ON PAGE 3



Split reveals the flaws in party system

Politics

DAVID WHITE

FOR ALL their peaceable nature, when it comes to political disputes tha Portuguese have a distinct penchant for "breaking the crockery."

It was with e kind of relentless slow motion that Sr Anibal Cavaco Silva, former Finance Minister and new leader of tha Social Democrats (PSD), built up to a break with the Socialist Party after two years of Socialist-led coalition — setting the ectual separation for the day after the two-party government's turnout to sign the EEC Treaty.

The break was to be expected, even well before Sr Cavaco Silva, who stands on the PSD's right, took over tha party reins in May. But the situation it creates is no easier to solve for having been predictable.

Some in the government had clung on to hopes that a breakdown could be evoided. Bnt two factors which have been looming ever since the last general elections in the spring of 1983 made it difficult to see the government lasting much more than half of its four-year term — in itself a record in Portuguese politics since the 1974 revolution.

Tha first was the election due at the end of this year to replace Gen Antonio Ramalho Eanes as president of the repnblic — a contest in which Sr Mario Soares, the Socialist Prime Minister, was an undeclared but obvious candidate.

The other was the chronic and permanent leadership crisis in the PSD, made worse by its uncomfortable position after the 1983 election as minority government partner.

The points at stake between the parties appear to have been little more than a petty pretext for a showdown. Their disagreements over legislative packages covering labour laws and the agrarian system were minor in comparison to the opposition to them from the Communists. The real reason for the split lay more in the PSD itself—the central but diversive element of recent Portuguese politics.

Never ont of government, as majority or minority partner, since 1979, the PSD has played e pivotal role, but the musical chairs at its head have been going at an ever-increasing tempo. Since the overthrow of dictatorship 11 years ago it has had seven leaders and nine leadership changes.

Sr Cavaco Silva is its third leader this year, after the departure in February of Sr Carlos Mota Pinto, then tha Deputy Prime Minister, who later died of a heart attack at the age of 48.

Two years before, Sr Cavaco Silva had counselled Sr Mota Pinto against joining the Socialists in a coalition. After his election he reaffirmed his stance by throwing his weight behind the presidential candidacy of Sr Diogo Freitas do Amaral, former Foreign Minister and ex-leader of the Christian Democrat Social and Democratic Centre (CDS). A new alliance—on the right—was forged.

Storm

The so-called "central bloc" coalition led by Sr Soares had already been through a series of storms since the beginning of last year. It was clear that either the presentation of a PSD candidate for the presidency or backing by the PSD leadership for a Right-wing candidate would make things very hard for the coalition.

Sr Cavaco Silva says he chose the last possible moment to break off. For him, the Socialists had become solely dedicated to getting Sr Soares elected as president. His aim is to create a space by pushing the Socialists to the Left and the CDS to the Right and to perform the difficult task of uniting his own party, which is far from unanimous about its latest turn, behind him.

Part of Sr Cavaco Silva's logic is that public opinion was beginning to penalise the PSD for its recent preformance. Now Sr Soares wants to see to it that Sr Cavaco Silva's party is further penalised for torpedoing the government.

But the PSD, inheritor of a powerful vote-gathering machine, is an electoral phenomenon which has shown in the past thet it can recover from the worst possible shambles. Sr Cavaco Silva is quite ready to face general elections. So is the CDS, which is seeking redress for its loss of support vis-a-vis the PSD when both were in government tha last time around, and so is Sr Alvaro Cunhal's Moscow-line Communist Party, which can count on close to a fifth of the vote.

More reluctant are President Eanes, on the grounds that Portugal can ill afford more elections right now, and Sr Soares.

But this is the kind of political fix that brings out the best in Sr Soares, always more comfortable in political rather than economic adversity. Accession to the EEC, to which he himself in a previous prime ministerial incarnation presented Portugal's epplication in 1977, provides him with a kind of pedestal from which he can be seen viewing the wreckage with a statesman's disdain. In the initial battle of words over who was to blame for the mess, he came out a clear winner.

It will not be clear until Portugal goes into the first round of the presidential elections—run on French lines with a two-candidaate play-off—whether Sr Soares' rivals have succeeded in undermining his master-plan. Sr Soares had been working on the premise that the right-of-centre parties would not be able to agree between themselves on a candidate. Meanwhile the presence of Sra Maria de Lurdes Pintasilgo, a radical Catholic and former interim prime minister, promises a hard fight for votes on the Left in the first round.

The crystal ball is clouded by two flaws in Portugal's democratic system. One is its inability so far to produce a majority government. The four main parties have produced no combination more stable than the one that collapsed this summer, and they have tried all the permutations with the sole exception of a government that includes the Communists.

A revival of either the central hloc coalition or of its Centre-Right predecessor, the Democratic Alliance, would appear difficult at the moment—but on the other hand the next general election seems unlikely to break the pattern.

The other drawback lies in the "semi-presidential" constitution, a Portuguese compromise in which President and Prime Minister both have the leading role. Sr Soares describes the president's functions neatly as having the atomic bomb (the power to dissolve parliament and veto laws) but few conventional weapons.

His predecessor as Prime Minister, Sr Francisco Pinto Balsemao, advocates swapping this for a U.S.-style presidency, in which the head of state would run the executive but be unable to dissolve parliament or be removed by it.

Hitch

The real hitch in the current system, as in the French constitution, arises if the president and the parliamentary majority, elected separately and for different periods of time, turn out to be in opposing camps.

Sr Soares sees himself as president sitting serenely over a Socialist-led Portugal. Sr Freitas—who will fight for the presidency on a well-defined political platform, including denationalisation — envisages creating a "new dynamic" on the Right and holding parliamentary elections which would produce a majority in parliament supporting the same objectives.

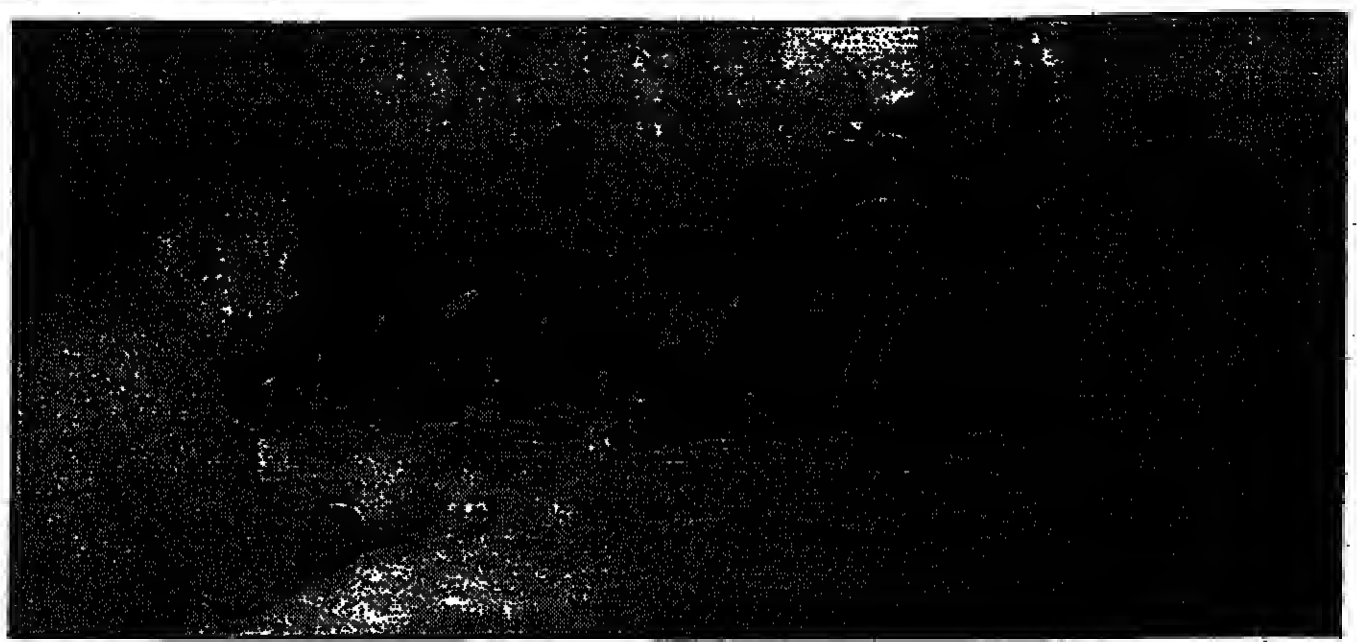
But what if he failed to get his own majority? Sr Freitas says that would reduce the presidency to the role of a constitutional monarch, but nobody really sees him expecting to act like one.

Unlike Fifth Republic France, which has yet to face the reality of a clash between President and parliament, Portugal has already had e foretaste. President Eanes, although elected on a non-partisan platform, was at odds with the last Centre-Right government and, certainly since the beginning of this year, with Sr Soares.

The June crisis, by placing key decisions in the President's hands, brought Gen. Eanes back into centre-stage just as he was coming to the end of his effective powers. With his military austerity and distaste for party-political practice he has gained a respect that any civilian politician might envy.

One of the more fascinating questions is how Gen. Eanes, who has considerable pull both on the Left and on certain sectors of the Right, will play his cards now. A small new party—the Democratic Renewal Party (PRD)—has just been formed around him. Will he seek a major new role or bide his time for a comeback at the next presidentials in 1990?

Out in his palace at Belem, President Eanes has been compared to a sphinx. Like the sphinx, nobody really knows if he has a secret or not.



President Eanes (right) talks to Sr Mario Soares, the outgoing Prime Minister, during a meeting of the Council of State last month to consider the government crisis

Delays frustrate new schemes

Foreign Investment

DIANA SMITH

PORTUGAL IS eager for foreign investment. Its Foreign Investment Institute, empowered to steer applications through official channels and to provide back-up services for existing foreign investors, devotes much effort, money, and often-touching goodwill to promoting the image of Portugal as a receptive host able to work with new partners from all over the world.

But in Portugal it is one thing to trumpet hospitality for new foreign investments and another to handle them at speed, open-mindedly, and with due understanding of the economic, marketing or technological advantages they can bring.

Above all in Portugal, 50 years of isolationist dictatorship have their residue in continuing overtones of a viscerally-felt but intellectually-denied suspicion of outsiders.

The result is that the institute's no-nonsense President, Sr Viana Baptista expends considerable energy in a continuing struggle to nag or coax dilatory officials into approving major investments before their promoters go grey with age or jaundiced with impatience and frustration.

Tangles

Recognising the urgent need to streamline bureaucratic tangles, through which dazed would-be foreign investors of any magnitude must meander before being allowed to contribute dollars, pounds, deutschemarks or francs to Portugal's capital-starved economy, the institute months ago prepared a new foreign investment code.

This permits rapid approval of small foreign investments—particularly of EEC origins which have five years to liberalise until the point is reached where a candidate can consider his project approved if, within 60 days he receives no communication that his proposals are detrimental to the Portuguese economy.

The government has yet to approve that new code, with only five months to go until Portugal joins the EEC. Meanwhile, though direct foreign investment and the degree of interest by potential investors have grown in the past two years, they would doubtless have grown faster if the image of Portugal's bureaucracy were not so bleak.

First the good news. The growth in direct foreign investment to May this year to an accumulated Es 8.3bn ($48m) compared with an accumulated Es 6bn for the same period of 1984.

The most rapid growth was in the area of agriculture, food drinks and tobacco (growth of nearly 100 per cent with the advent of new dairy product concerns among others), metallurgy and minerals.

At the same time, the number of high-technology concerns are growing—a vital area for Portugal which lags behind the rest of Europe in development of "third wave" technology. Portugal's first fully-automated robot plant, producing small electric motors for sewing machines and other household appliances, opened in May in Ovar at a plant in which Belgium's ACEC holds a 65 per cent interest—although all the plant's capital was raised in Portugal.

Some 20 electronics companies, many recently-established, operate in Portugal. Of total investments of about $470m in 1984 in this sector, 78 per cent is foreign.

As Portugal inches into the EEC, U.S. and Far Eastern companies are examining Portugal as a springboard to the enticing Community market. U.S. interest grew partly thanks to a dynamic U.S. ambassador, H. Allen Holmes, who with his hardworking staff strove in his recent two-year tenure, often in the face of apathy from big businessmen, to convince U.S. capitalists that Portugal was now a practising democracy which could smoothly handle the substantial U.S. investment it longed for.

For ten years the U.S. pumped official funds into Portugal to help the country on her path to stability. Now the U.S. government wants private business to do its part. High-profile U.S. business missions earlier this year showed that Ambassador Holmes' well-bred arm-twisting had begun to pay off.

Other diplomatic missions have had to sweat for less-satisfying reasons, patiently trying to persuade recalcitrant officials of the need to remove artificial obstacles blocking half a handful of new foreign investments worth tens of millions of dollars in absolute terms and in less-immediately-measurable terms, offering technology, market exposure and modern management methods—all of which Portugal desperately needs.

Two major UK deals which appear to have reached the end of odysseys lasting for over a year, when other countries would have approved such opportunities in a matter of weeks, have done more to dent confidence in Portugal's ability to handle major projects of promoters, diplomats, lawyers, and bankers than all her many political crises.

Red tape

Minor officials arbitrarily delayed decisions; their seniors seemed unable to impose order; the foreign investment institute found its authority bypassed and, for months on end, no senior official seemed disposed to take the matter in hand and expedite a decision.

Harsh lessons were learned by British investors as the stranglehold of excessive red tape grew. One project involved partnership in a state-run mining company, the other with a pulp mill whose majority shareholders are nationalised banks. Such ordeals are unlikely to recur.

Chances abounded an infinity of departments, sub-departments and sub-sub-departments to interfere, whatever the waste of time. That the projects survived is testimony to the endurance of the promoters and to the last-minute resolve of Ministers after months of nervous dodging to save Portugal's face and take decisions.

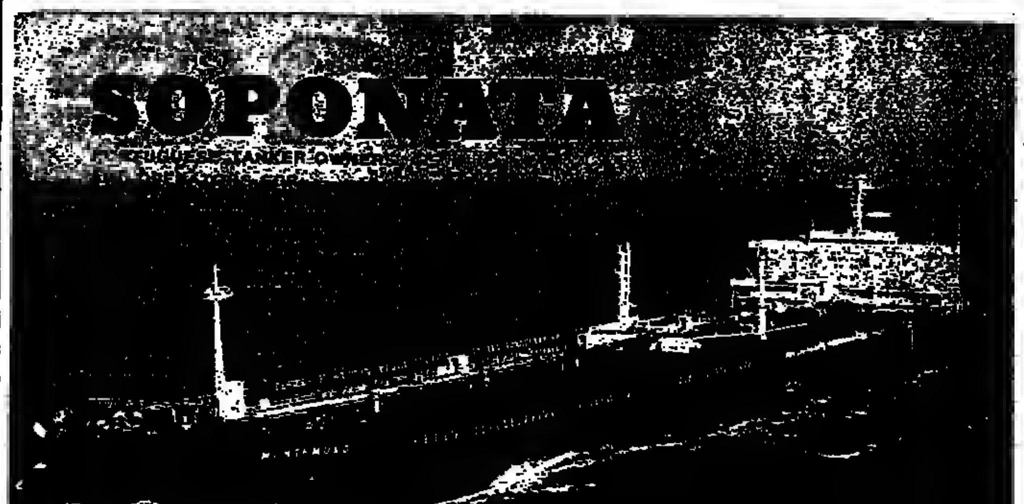
The contrast between their original understanding that the projects were highly suitable, and then a suspicious attitude of "Are we, a poor, inexperienced country, being short-changed?" was startling.

A new foreign investment code followed with the utmost flexibility would seem a categorical imperative to help official Portugal overcome such damaging defensiveness.

Foreign investment by major sectors

	Value $m	Total % 1984	Total % 1983
Manufacturing of metal products, transport machinery and equipment	25.66	13.6	12.8
Banks/financial institutions	28.93	15.3	17.8
Hotels and tourism	19.02	10.1	5.3
Machinery (trade value)	18.04	9.6	10.8
Pharmaceuticals (trade value)	11.76	6.3	3.4
Chemicals	9.53	5.0	5.4
Food, beverages and tobacco	9.06	4.8	6.1
Metal ore mining	8.09	4.3	4.3
Real estate operations/services	8.04	4.3	5.6
Entertainment and cultural services	6.19	3.3	0.5
Agriculture and mining industries	10.74	5.7	7.4
Manufacture and construction	65.38	34.6	38.4
Services	112.72	59.7	54.2

Source: FFI



The operation of an 18-month IMF-negotiated emergency plan has got Lisbon off the hook as a borrower

In remarkably better shape

Economy

DAVID WHITE

TWO YEARS was the minimum period considered necessary to lift Portugal out of the economic mess it found itself in when Sr Mario Soares' Socialist-led coalition was voted into office. The country made it —two years to the day from the coalition pact to the announcement by the minority partners, the Social Democrats, that they were pulling out.

For Sr Ernani Lopes, the independent whom Sr Soares called back from Brussels to take charge at the Finance Ministry, the intervening period has been "no joke." When be took over, and installed a new light at his desk to enable him to work at night, Portugal was on the brink of being included in the same bracket as Latin American debtors, and was forced to negotiate stringent policies with the IMF in exchange for support.

After the operation of an 18-month emergency plan and the fulfilment of most of the aims laid down by the IMF, the country's external payments today are in remarkably better shape.

Halved

The deficit on the balance of payments current account, which reached a comparatively dizzy record of more than $3.2bn in 1982, was virtually halved in 1983 to a level well within the target range. For last year a target of $1.25 was set, and the result at about $500m was below half of that. In the first quarter of this year, the deficit was, once again, only half what it was a year before.

The growth in the foreign debt, which was going at 25 per cent a year, has slowed right down, with the total at the end of last year standing at $14.8bn, and the country—spared of any further need to touch its remaining 630 tonnes of gold—has been able to build up its liquid reserves.

The deficit of the administrative public sector has been held almost stable at about 10 per cent of gross domestic product, after a relaxation of some spending constraints last year.

In short, Portugal has got itself off the hook as a borrower. As a result, government policymaking aims for this year underwent a switch. The focus of concern is no longer on the external accounts so much as on ways of reviving economic activity and controlling inflation.

The decision two years ago to scrap price subsidies and make way for realistic prices inevitably acted like a booster-rocket on the inflation index.

The average annual inflation rate though last year reached 29 per cent; the year-on rate in December was just over 21 per cent, but that was phoney—the result of increases being shoved forward into January. This year the target is to bring the average back to 22 per cent, with a 20 per cent rate at the end of the year.

On current trends the target can be reached, with the escudo continuing to be devalued on a 1 per cent a month "crawling peg" system to make up for the inflation difference with Portugal's trading partners.

The real problem is getting a recovery going. Portugal is still knee-deep in recession. It has had two years of negative growth; real incomes, which were already slipping in 1982, fell by 7 per cent in 1983 and by 9-10 per cent last year, according to official estimates, and by more according to union leaders. It may be hard to stop a further fall this year as the Soares coalition government had hoped.

The sharper-than-planned reduction in the current account deficit is seen as a bad sign. Last year's performance was not only due to strong exports and high tourist receipts but also to the effect of the recession on imports.

This year's current account deficit, instead of being close to $1bn as planned, could be as low or even lower than last year's according to some experts —this time without much help from the export sector.

Merchandise exports, which have risen rapidly in the last two years, thanks partly to the exchange advantage resulting from the strength of the dollar, partly to the receptive U.S. market, and partly to the simple fact that the Portuguese market was so depressed, have slowed right down. But this has been more than compensated for by the fall in demand for imports, particularly of capital equipment and intermediate goods.

Any further improvement in the balance of payments would be a poisoned gift. "Portugal cannot function without an external deficit," said one government planner.

Indicators such as the demand for cement, or steel for construction, or fuel oil, are sharply down. While forecasts are for an economic growth rate of 1.5 or 2 per cent, regaining what was lost last year, there is no sign as yet of an investment recovery.

The initial aim of 3 per cent growth, partly based on the expectation that companies would re-build their depleted stocks, which they so far have not, appears to be out of reach until after Portugal joins the EEC.

Portugal in figures

	$bn 1982	1983	1984
Exports	4.1	4.6	5.2
Imports	8.9	7.6	7.3
Current A/c Deficit	3.2	1.7	0.5
Inflation	22%	26%	29%

Attitudes

One of the main impacts of entry will be a change in the attitudes and long-term confidence of both Portuguese and foreign investors. However, nothing appears likely to make actual investment pick up this year. With many sectors, such as capital goods, operating at 70 per cent of capacity or less, the hoped-for investment revival looks like taking some time.

A major obstacle has been the level of interest rates on loans, which are easily the highest in Europe, with rates on medium-term loans at around 32 per cent. On short-term loans the level has been about 30 per cent, which thanks to the Portuguese system of collecting interest up-front is equivalent to 34 per cent.

The persistance of such high rates—against an inflation average of 24 per cent during the first third of this year—has provided, along with restraints on government expenditure on goods and services, one of the main elements of resetrictiveness in Portuguese policy.

The problem is that up to now there has been little leeway for bringing rates down without hitting either the profits of the banking system or the level of domestic savings. If interest on loans is high, interest on customers' deposits has been low in real terms, with a rate of about 27 per cent on a time deposit yielding only 21.4 per cent after tax.

The only way out of this jam —referred to by one senior banker as the main obstacle to the modernisation of the financial system—is by sacrificing part of this source of revenue to the Exchequer.

Apart from whatever stimulation can be achieved through interest rates, pressure is building up for a more expansionary policy stance. Portugal's budget deficit is hardly expansionary at all, since it is almost entirely accounted for by the cost of servicing the public debt.

Proposals are currently afoot to start issuing short-term Treasury paper for the first time in order to extend the range of financial instruments available.

Hold-ups in Portugal's consultative and legislative processes have done nothing to help in getting a recovery going— and neither, certainly, does the latest bout of political precariousness.

Employers have been waiting for more flexible labour rules, arrangements for lay-offs have been introduced but a controversial labour package, which would among other things make redundancies easier, has been held back.

Many companies are maintaining artificial lives. Plans to update the country's antiquated and slow bankruptcy procedures have not materialised, and banks are reluctant to press for legal settlements. Bad debts have meanwhile soared, and delayed wages have become standard practice in hundreds of companies.

Portugal's unemployment rate of 11 per cent is therefore somewhat in defiance of reality. Unless there is a substantial pick-up in activity it would logically be considerably higher.

Planners forecast that total employment will increase, especially in the service sector, but not enough to absorb all the new arrivals on the job market. For young Portuguese, the prospect on the home front remains gloomy.

Coalition falls as Europe looms

CONTINUED FROM PAGE 1

Ireland's and two-thirds that of Greece. Joining the EEC now provides the country with its best chance of catching up— Sr Soares says it will change radically in the next five years.

Portugal has at least got a good financial deal out of the Community, even if its conditions of entry leave something to be desired in trade arrangements or in social affairs. It will be getting large packages of aid in addition to compensation for levies on grain imports and reimbursement in the initial years of its contributions.

The Government's negotiating strategy has concentrated above all on gaining access to funds to promote development, including regional, agricultural and industrial assistance.

Better infrastructure—such as the roads, which must be the slowest in Europe—is one of the pre-requisites for getting a substantial flow of foreign investment, along with the need for less red tape. So far, despite Portugal's lower wage costs, the bulk of investment related to EEC enlargement has gone to Spain.

Entry is a formideble challenge to the Portuguese administration, which has scant international experience and which is lecking in competent second-level personnel. Wisely, Portugal has arranged to skip its first turn in the EEC presidency, which would have come up in the alphabetical order for the second half of next year. Meanwhile, 100-150 top people will be creamed off for jobs in Brussels, where a senior civil servant stands to earn five times his present salary in escudos.

"Who will be left to deal with everything here?" asked one official, only half joking.

What Portugal makes of the EEC depends on a number of factors, among them its political environment and the trouble-making potential of the anti-EEC Communist Party.

Two major worries loom. One is the farmers. Portugal is the sole case of an applicant country in which prices for key products such as maize and milk are higher than the EEC's. Price-support policies, which have made the two-cow farm viable in a country which has to import more than half the agricultural produce it consumes, arguably could not have been sustained much longer anyway. Incomes will now be hit.

Although it is hoped that agricultural investment will offset the negative impact, the farmers, who are still 23 per cent of the workforce, are the people expected to suffer most from entry. The sector has a 10-year transition in which to re-organise, but EEC competition will make itself felt well before the end of that period.

The other big problem is Spain. Portugal and Spain have always lived back to back; now in the EEC they face each other. For Portugal—despite potential improvements in trading conditions under the two countries' recently-concluded bilateral agreement—it promises to be a shock.

Spain's more developed economy now presents Portugal with both its biggest opportunities in Europe and its biggest dangers. The continuing fishing incidents between the two countries, in a long-running dispute over Spanish fishermen entering Portuguese waters, could be just a prelude to a major new source of friction in the EEC.

Next month is the 600th anniversary of Castile'e defeat at Alujubarrota, which secured Portugese independence (and which was celebrated by the building of another marvellous monastery, at Batalha). The Portuguese are no less wary of Spain now than they were then.

Mixed views on EEC prospects

Industry/exports

FRANK GRAY

THE INTERNATIONAL Monetary Fund recently heaped praise on Portugal for its accomplishment in reducing its chronically bad trade deficit.

By any reasonable standard, Portugal has cause to be proud, having lifted its export earnings on current account to a record $9.4bn, up from $8.5bn the year before, and having reduced its deficit to $9.9bn from $10.1bn the year before.

While this still leaves Portugal in deficit on its current account of $520m, it is the lowest since 1979, about the time the IMF began sounding dire alarms about the state of the economy.

In terms of merchandise trade, the gap between imports and exports also continued to narrow. With exports at $5.2bn and imports at $7.2bn in 1984, the deficit fell to $2bn, down sharply from $3bn in 1983 when exports and imports were at $4.5bn and $7.6bn respectively.

Politicians in Lisbon have wasted little time in seizing on the good trade performance to predict that it will continue to improve next year as a result of Portugal's entry into the EEC.

Already, some 55 per cent of Portugal's exports go to the EEC, with 50 per cent originating from the Ten. The limited tariffs that exist between Portugal and the Community will be phased out over seven years, which will mean an even closer economic integration for the two.

But Portuguese industrialists and entrepreneurs are nothing if not sanguine about what EEC entry means. Many say that entry will make no difference to trade. However, others fear the effects on their industries because of the loss of protection. Still others blame Lisbon's political motivations in pushing for membership.

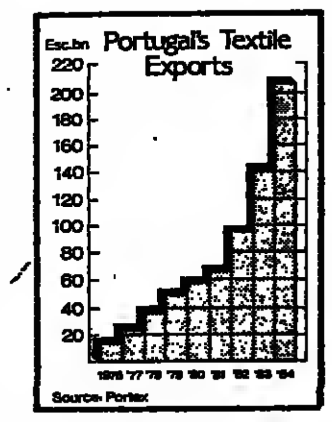
According to one leading businessman, since Portugal has shown itself incapable of running its own affairs in the past decade, it has ceded a share of its sovereignty to Brussels in the hope that the Community can serve as the country's economic motor.

In the industrial sector, the range of products on which Portugal does impose duties, tariffs will be phased out over the seven-year transition period. A particularly tough concession is the requirement that Portugal eliminate over three years the practice of "registering" imports, a bureaucratic apparatus left to the whim of Government officials which served to slow the flow of imports.

The chief thrust of the export success has come from the booming textile industry. It is here that the effects of Community membership will prove most painful.

The sector employs 300,000 and last year accounted for more than Esc 207bn ($1.1bn) in export sales, or about 28 per cent of its overall sales income.

These figures have shown extraordinary growth from levels of just Esc 16bn in 1976. But according to Sr Ribeiro de Silva, head of Portex, the Portuguese textile association, the figures obscure the serious malaise affecting the industry.



Over-extended

Major sections of the textile trade, particularly yarns and cloth producers, have been producing at below cost just to stay in the marketplace and are woefully over-extended with Portuguese banks, where they are paying interest rates at upwards of 30 per cent.

This problem, while less pervasive within the comparatively healthy knitwear and ready-to-wear market, will only add to the opening of Portugal's flat but protected domestic market, which contributes 72 per cent of all sales. In short, severe rationalisation of the industry will take place in the next few years, marked by increasing bankruptcies, unemployment and takeovers by foreign concerns.

"This means simply that only those companies that have modernised and held their debts down will survive," Sr da Silva said.

EEC entry will not relieve their problems either, for textile shipments will be limited to a 3 per cent increase in each of the next three years before the market can be truly considered wide open again—in effect, a severe brake on the pre-accession export flood.

One sector which is an unbridled success story, with or without the EEC, is Portugal's footwear industry. The industry grew as an exporter from a virtually zero base in the late 1970s, and now ships $175m in footwear abroad. This figure is expected to grow by a further 33 per cent by the end of 1985.

Sr Manuel Carlos, head of the Portuguese Footwear Association, says some rationalisation will occur, but nowhere near those expected in the textiles sector. Portugal has abont 1,000 shoe factories, 200 of which export. Because footwear is e comparatively new export product, the sector is not subject to the EEC controls that affect textiles. It will, however, have to open its own markets to outside competition.

Sr Carlos says the only serious threat to the domestic market will come from cloth and synthetic shoes, mainly from the Far East. As the Portuguese product is basically leather, the industry, as a result of its inexpensive labour, is well placed to keep huilding its higher quality market share within Europe. While it employs 42,000, its output is just 10 per cent of that of Italy, Europe's top producer. As such, it has, he helieves, much greater market flexibility.

The issue of high interest rates, tight money and irresponsihle banking has prompted the emergence of several independent banking institutions. Their creation has been facilitated by a change in the banking laws making it possihle for increased participation in the Portuguese economy by foreign banks and new non-nationalised independents.

One such institution established last year was the Portuguese Investment Bank, and another now being organised is the Commercial Bank of Portugal, the latter having attracted a launch capital of Esc 3.5hn more than double the minimum of Esc 1.5bn required under Portuguese law.

It is not surprising that the drive to set up new banks is coming from the entrepreneurial class of Oporto rather than state-owned or parastatal institutions in greater Lisbon.

It is widely expected that in a few years, that the new banks will provide e valuable base for sound economic consultation and support for foreign and domestic investors.

The private banks' strength will be drawn from the quality and experience of their primary backers, such as the *Sociedade Nacional de Estratificados* (Sonae) holding group and Refinerias Asucar (R.A.R.) Holdings, each with operations throughout Portugal but based in the north.

Sonae's experience should prove invaluable as it was a unit of a bank caught in the revolutionary wave of nationalisations. It was able to be spun off and stayed in the private sector, basing its operations on wood products, chemicals and in supermarkets of which it operates 40. It has added real estate and tourism services, data processing and a trading company to its operations.

Sr Fernando Calvalho, Sonae'e vice-president, explained that the company "does not want to have to invent inventions." This means that as part of its industrial strategy, it favours joint arrangements, sharing its expertise with others to nndertake profitable ventures.

One such venture, to be launched this autumn, is a plan to open Portugal's first hypermarket in Oporto, with e second to be started in Lisbon next year. Sonee is undertaking the project with the Continento hypermarket group of France.

Capitalise

RAR which owns one of Portugal's three sugar refineries, managed to capitalise on the corporate uncertainty of the late 1960s and 1970s at which time Portugal had a total of 27 refineries. It now has half the Portuguese market.

While the suger market is now saturated, the expansion gave it the base from which to extend operations into chocolate production, coffee distribution, transport, computer programming and travel services.

According to the company's founder, Sr Joao Macedo Silva, the company is now moving into the insurance sector and is courting joint venture partners from Switzerland and the UK.

Banks emerge from maze of bureaucracy

Financial institutions

DIANA SMITH

INCH BY INCH Portugal's banking system is creeping out of its bureaucratic maze towards a clearing where the market forces can operate more effectively.

As a result of legislation in 1983 that ended an eight-year-old state monopoly of domestic commercial banks—whose only competitors were the long-established Bank of London and South America (now Lloyds)—Credit Franco-Portugais (Credit Lyonnais) and the Banco Do Brasil, the rate of change has accelerated. Competition is replacing stagnation as the name of the game.

Ten banks have been granted licences since August 1984: six are branches of major international banks, one is a Portuguese investment bank, three are new privately-owned Portuguese commercial banks.

Banque Nationale da Paris, Barclays, Chase Manhattan, Citibank, Generale Banque de Belgique and Manufacturers Hanover Trust are advancing on a small, rough-hewn market, ready to compete energetically for corporate financing and lucrative short-term trade financing.

No other foreign banks are likely to be authorised for some years: Portugal has a seven-year transition agreement with the EEC which permits her to progress with all due slowness towards free right of establishment for EEC banks.

Even more interesting in domestic terms, sizeable groups of Portuguese capitalists have recovered from the collective trauma inflicted hy sweeping bank nationalisations in revolutionary 1975 and through solidly financed new Portuguese institutions, Banco Portugues de Investimentos, Banco Comercial Portugues, Banco Europeu de Credito and Banco da Comercio e Industria, signalled thair willingness to take risks and intention to make money on a diversifying market.

Assets abroad

One newcomer whose licence has just been granted, the Banco Europeu de Credito, marks the return to the local scene of the Espirito Santo family whose Banco Espirito Santo e Comercial de Lisboa was nationalised in March 1975.

The family left the country and built up assets ahroad, buying into small corporations such as Florida's Bank of Biscayne. Now, in association with France's Credit Agricole, they seem to have written-off their dramatic past and opted to align themselves with Portugal's future.

But *the Espirito Santos* are not the first members of Portugal's former moneyed elite to relaunch themselves in the financial world. J. M. de Mello, member of a dispossessed family that once owned banks, shipyards, chemical and fertiliser industries and interests in virtually every sector of Portuguese economic life came back sooner, and discreetly joined forces with Morgan Guaranty and the Deutsche Bank in an investment company MDM (Morgan-Deutsche-Mello) that since its inception in 1983, like the four other investment and financial service companies that after 1981 preceded new banks, has done e profitable business in medium-term project financing and promotion of securities, above all since the blossoming of the local bond market.

Private and public bond placements have begun to be the stuff of which Portuguese financial institutions' profits are made although there are regular complaints about the authorities' slowness in authorising new issues.

Now another financial instrument eagerly awaited by banks and other financial institutions and enthusiastically promoted by the new governor of the Bank of Portugal Sr Vitor Constancio, is due to be offered the market shortly. The project is supported by the Finance Minister, Sr Ernani Lopes, but suffered delays after the political crisis engineered by new Social Democrat leaders in early June temporarily bogged down major government decisions.

The instrument — negotiable three or six-month Treasury Bills offering attractive tax-free interest—is aimed at a number of targets.

Strains

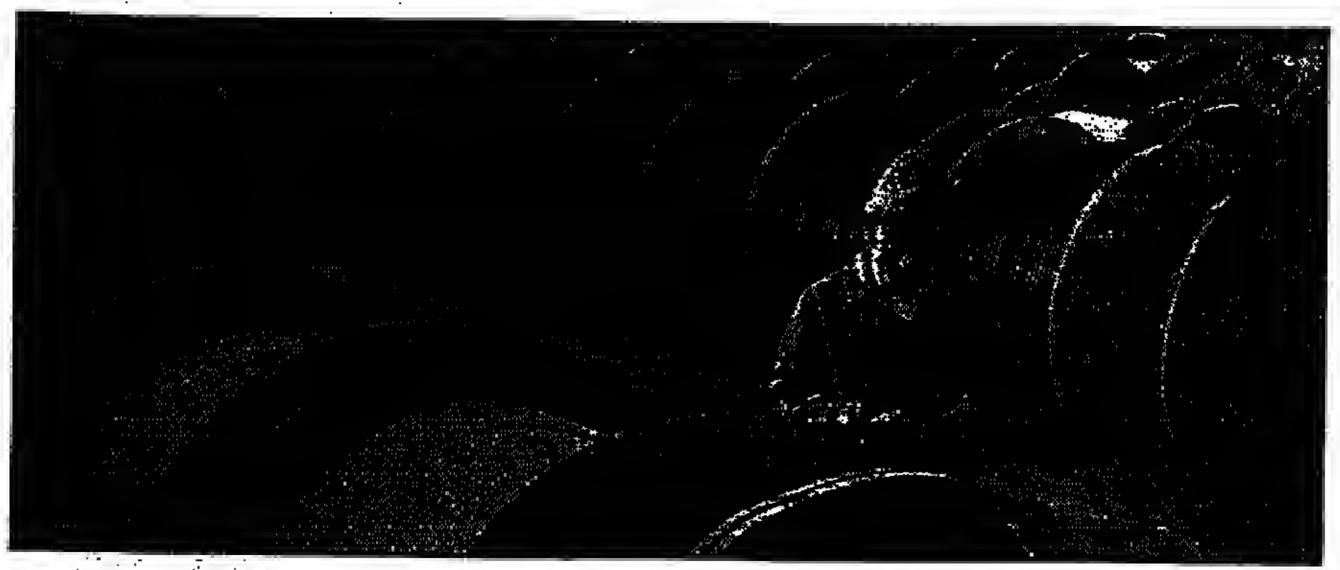
First, it will permit governments to finance budget deficits without sapping the banking system by taking bank loans when they choose at whatever interest they choose (far below high market rates)—a practice that, in recent years, has caused severe strains on commercial banks.

Second, the new Bills should encourage personal and institutional savers to shift out of six-month to one-year deposit accounts (Portugal's favourita type of savings)—on which banks now must pay 29 per cent interest hnt, because of hefty capital tax of soma S per cent yield only 21 per cent to the customer—into Treasury paper.

Banks that offer cash management accounts are expected to invest heavily in high-earning Treasury Bills on customers' behalf. The Bills have the added incentive of interest paid by the government not banks who, at present, suffer from too many deposits and too little lending.

A shift from oversubscribed deposits to Treasury Bills will permit the government to lower exorbitant interest on lending, now six points ahead of year-on inflation and on heavily-taxed interest on deposits, thus encouraging borrowers and, the authorities hope, improving profitability for banks who have bloated cashflow and shrunken profits.

Further, the Treasury Bills will be useful instruments for the new unsupervised interbank money market and overnight market that should soon come into force elong with a spot interbank foreign currency market.



Dispatch room of a cable factory in Oporto, northern Portugal. Industrial jobs are at a premium throughout the country as the working population shifts away from agrarian centres to the coastal districts

Bid for access to EEC funds

Regional development

FRANK GRAY

MOZAMBIQUE recently urged Portugal to send whatever it could to aid its ailing former colony.

With Portugal's own government once again in a state of collapse, some political commentators have suggested Lisbon would do well to dispatch the country's politicians—all of them—on a one-way trip to Maputo.

Nowhere is this feeling stronger than in mainland Portugal's five regions and on Madeira, where regional development officials have decided to bypass the Lisbon Government in their bids to obtain EEC support money for development projects.

At stake is access to Ecu 800m per year of EEC funds designated specifically to support the regions.

Disbursement of those funds depends on two factors — the receipt and assessment by Brussels of the regional reports themselves and the establishment of an appropriate conduit through Lisbon for the equitable distribution of the funds.

Initiatives

Normally, Lisbon itself would present the full regional development package to Brussels itself, but in the absence of an efficient bureaucracy, the regions, led by the highly populated and industrialised north, have decided to take their own initiatives.

As always, unemployment is the guiding theme of regional development policy. Currently at an official national rate of 10 per cent, it is estimated that the true figure is about 8 percentage points higher, softened only by the emergence of a busy black economy in recent years.

But within the regions themselves, there is growing emphasis on the need to create employment opportunities in the more remote districts. In Portugal, this means in the foothills and mountainous areas that traverse the entire 500-mile length of the country along its borders with Spain.

Many communities, such as Braganca in the north and Castelo Branco in the central region were once busy agrarian centres that have fallen into decline as the working population shifted to the industrialised coastal districts.

But industrial jobs are at a premium, and migration to the Colonies or abroad is no longer the option it once was before the 1974 Revolution put an end to the Portuguese empire.

According to Sr Luis Valente de Oliveira, president of the Regional Co-ordination Commission of the North, the establishment of a regional policy has required close and continuous dialogue with dozens of communities and districts.

The region has had to take close stock of its assets, and establish priorities as to those sectors to which investment can be most usefully applied.

For the north, he favours establishment of a series of regional industrial estates—indeed, the north is the only region where the industrial estate concept has worked, mainly around Braga, 50 miles north-east of Oporto. These are being based on the region's productive capability.

The region also wants to set up research centres for the timber industry and associated wood products as well as the metallurgical sector. It already has established similar centres for the highly-successful footwear and cork industries and for textiles, the country's largest industrial sector.

As part of its process of defining what is a viable industry and how best to use indigenous resources, it commissioned a series of viability studies, one of which was with Coopers and Lybrand of the UK.

But as Sr Valente points out, high volume employment is no answer in itself, rather it is the quality of employment that matters. The textile sector, which employs 300,000, for example, is starting to undergo severe rationalisation as some of its more antiquated sectors are phased out. Pumping more money into saving jobs would accomplish nothing in the long term.

"To create employment, we must create enterprise and boost the entrepreneurial spirit," he said.

The ways to achieve this are through good joint ventures, through education and through a series of professional and regionally-based vocational training centres which are to start up in 1986.

The concept behind Sr Valente's programme for the north is backed by Sr Luis Madureira Pires, services director for the European Integration Secretariat in Lisbon. He points out that some 20 centres for local training will benefit from EEC funds, and adds that universities exist in Faro in the Algarve region, Evora in the Central Region and in Vila Real in the north.

But he emphasises that regional development cannot work without major efforts to improve infrastructure, such as telecommunications and roads. In a small way, this is being helped by European Investment Bank loans which are helping fund a major highway widening project between the Spanish border through Bragança to Oporto in the north, as well as highways within Portugal such as the road between Oporto and Lisbon.

Ineffectual

Although regional development policy first emerged as a government concept in the 1960s, at the time of the dictator Antonio Salazar, it has remained largely ineffectual, Sr Madureira notes, and the advent of democracy after 1974 has done little to help its evolution.

Only EEC accession has served to bring pressure to bear on the Lisbon bureaucracy to sort out its inter-departmental squabbles and establish a proper mechanism to handle regional development funds awaiting dissemination in Brussels.

The troubles centre on the Secretariat of Planning, which reports to the Ministry of Finance, and the Regional Development Secretariat, which is part of the Interior Ministry.

The Planning Secretariat argues that Finance is the proper channel for handling development funds, whereas the Regional Development group argues that it is best-placed to know about equitable distribution of such funds.

It fears that Finance Department administration of the funds will only lead to an imbalance in favour of the Lisbon and Tagus River region, whose heavily-subsidised industries, it is argued, are the source of so much of the country's economic problems.

Sr Valente rather satirically points out that the problem is being settled in the usual Portuguese way—through the establishment of a special tripartite commission between the Interior and Treasury Ministries in co-operation with the Economic Co-operation Department.

But Sr Madureira is much more blunt: "The EEC fund is the most important financial instrument for our regional development policy that we can have. How we administer it will be a test of the success of our accession."

Business set to beat record

Tourism

FRANK GRAY

WHILE THE influx of foreign tourists to Spain is down sharply this year, business in neighbouring Portugal is better than ever and looks certain to exceed the 1984 record year of 9m visits.

Once again, it was the British, the most important of Portugal's long-term visitors, who led the way: a total of 769,000 visited Portugal last year, 12.2 per cent up on the previous year.

Figures for the first four months this year are up another 9 per cent over the same period last year.

The rise more than offset small declines for German and French visitors, which historically compete in the number two position. West German tourists to Portugal totalled 344,070 last year, while French tourists totalled 326,000.

More than 209,000 Americans, proportionally the biggest spenders of all, arrived in Portugal, 12 per cent up on the year before.

Numbers from the Nordic countries, climbed by 13 per cent to 160,000, with Sweden leading the way at 71,000 visitors.

But the one statistic that has the Portuguese National Tourist Office in Lisbon talking most is the sheer volume of people coming from Spain. Mainly comprising day visitors or overnight stays, the Spanish influx has continued to grow in double figures, and last year climbed 12 per cent to 7.4m.

If the nature of Spanish tourism begins to change and transfer itself to long-term business as it has with UK, German and U.S. visitors, then the industry's turnover from tourism could reach unexpected heights.

Many believe this is actually beginning to happen now, and will accelerate as the two countries — which historically have traded very little (French, indeed, is Portugal's second language, not Spanish)—get to know each other better as a result of their joint accession to the EEC.

In fact, given the 10 per cent rise on total tourist visits last year, turnover soared to Esc 140.4bn, up from Esc 93bn the year before. Western Europe's contribution to this was Esc 82.2bn, up from Esc 58.8bn in 1983, while the U.S. and Canada secured a sizeable share with an Esc 50bn contribution to the tourism account, up from Esc 31bn.

Two factors have contributed to these results. One is the weak value of the escudo against nearly all the currencies of Portugal's main trading partners.

The second is that the quality of tourism compared with such countries as Spain and Italy has risen to a high level. Apart from Faro itself, the gateway to the Algarve coast, and Albufeira, the centre of high volume tourism, Portugal's entrepreneurs have been dissuaded from plumping for high-rise hotels on a scale common to other parts of southern Europe.

The majority of tourists head for the Algarve Coast, which takes the vast bulk of tourists, with the rest going to Greater Lisbon and a small but growing proportion—10 per cent in all—finding their way to the Douro River region of Northern Portugal.

Another factor is renewed development in the Algarve.

The impetus is coming from developers of resort estates, where villas rather than hotels are the characteristic holiday retreat. The point was made in an Albufeira newspaper not long ago, when the local hotel association complained that while there were more tourists than ever, there seemed to be less custom for hotels and restaurants—in effect more people were dining beside the pools of their rented villas.

Controls

The modified controls that exist on ownership are aimed at curbing property speculation and rampant building and, because of tight money within Portuguese banks, the financing must come from abroad.

In effect, with the right financial leverage and a willingness to abide by the rules, foreign investors are welcome.

It is this changed atmosphere that has led numerous developers to put their resources into building resort complexes in the Algarve. One of these is the 2,000 acre Quinta do Lago near Faro being revived by Sr Andre Jordan, whose original plans in the 1970s were put on ice for nearly eight years. But others, from the massive Vila Moura, much favoured by German tourists, to numerous smaller estates, such as Sao Rafael and the Aldeia Mourisca continue to develop.

Prices for two and three bedroom villas, most of them built in stylised Moorish design, range from £35,000 to £60,000, some featuring individual pools and others with central pools within a complex.

The availability of freehold villa property in the Algarve is already beginning to prompt the activities of timeshare organisations selling condominium flats and apartments. As one brochure puts it, timesharing is where "you can retain the use of your asset during the investment."

One group, Gulf Leisure, is offering timeshare properties near the Algarve's Praia da Rocha at about £2,000 per unit per week purchased.

Quiet move to quality market

Port wine

FRANK GRAY

WHEN Michael Symington steps down some time in the next year as joint managing director of Dow's Port, he will be succeeded by his son Paul, currently the firm's sales director.

It will, of course, represent an injection of freshness into a part of the wine trade that is probably more steeped in tradition that any ther in the world.

But to those who cosely follow the business affairs of the largely British and Portuguese families which dominate the port wine industry, it will be just another sign of the continuity and renewal that have given the trade its exclusive distinction.

The Symington family—there are seven members in the trade—are responsible for 13 per cent of Portugal's port wine output—which last year totalled 664,600 hectolitres, a percentage point up on 1983. They do so under a family of names, many of which were acquired through takeovers and morgers over the years. The oldest of these is Warres, which is a 315-year-old firm, as well as Dow, Grahams, Quarles Harris, Smith Woodhouse and Gould Campbell.

The change within the Symington group coincides with a sharply higher profile being taken by the industry as a whole, aimed at reaching middle class consumers.

The industry's attitude also reflects the quiet revolution that has been taking place on the Douro River for more than a decade—a movement of port wine from "bulk" production into a higher-quality botled drink that may be consumed, especially if it is dry and white, before meals as well as afterwards.

Export of botled port last year comprised 77 per cent of all overseas shipments, up from 67 per cent in 1983 and just 25 per cent in 1975.

Virtually all the shippers have invested heavily in new bottling plants, particularly the major producers such as the Royal Oporto Wine Company, the country's largest, and Sandemans, which vies with the Symington group for second place.

Vintage

But this expansion even extends to such smaller concerns as the Quinta do Noval group headed by the brother-sister team of Cristiano and Teresa van Zeller.

Although both are in their twenties, they are at the helm of another old port wine firm, one that has long focused on the "vintage" market, but which is seeking to broaden its base.

Vintage ports apart, the improved quality and range of the standard ports has meant greater earnings. Turnover for the industry last year rose by 20 per cent. The value of vintage port has trebled in the last eight years.

This comes as a Godsend when set against the industry's limited capacity to sharply boost output. Port wine shippers must, by law, maintain three times the wine in stock as they are allowed to put on the market. As Mr Symington points out, this ensures that those selling port have a stake in the business.

Port wine shippers have responded optimistically at Portugal's entry into the EEC and believe it will have a positive effect on sales. There will be a modest easing of tariffs for port. Portugal also will get a gigantic free ride promotionally as a nation within the Community, with some spin-off effect for its most famous wine.

Sr Van Zeller said that it could also mean an easing in production costs. Portugal must now buy all its brandy—12m litres per year—from the Portuguese Government, much of it at prices four to five times higher than brandy obtainable from France or Spain.

It is the Lisbon Government which sets the brandy price by law, largely on the strength of subsidies paid to the country's generally inefficient table wine producers whose excess production is released for distillation.

As Sr Van Zeller notes, free access to French brandy for blending with port wine could save the industry millions of dollars a year, but it could be several years before the Douro Valley's port producers are given a clear decision on this.

Port consumption and exports

(%)	
France	35.4
Belgium/Luxemburg	15.5
Home consumption	10.9
United Kingdom	10.1
Netherlands	8.2
West Germany	3.9
Italy	3.5
Denmark	2.6
USSR	2.4
U.S.	1.9
Other countries	3.9

Source: Port Wine Institute.

Brussels aid will bring far-reaching changes

PORTUGAL'S LONG isolation from the European mainstream has enabled it to cling to traditional farming practices which ensure that while about 30 per cent of the active population lives off the land, the country has to import 60 per cent of its food and animal feeds.

Meanwhile, prices paid to farmers for often low-quality produce are 15 to 60 per cent above EEC averages.

There is a myth dear to nationalistic politicians that Portugal can be a grain belt, producing all the wheat it consumes—now about 1m tonnes a year. To them, the answer lies not in the soil but in self-persuasion.

Experts closer to the reality of soil and climate insist that in wheat, under perfect soil conditions in perfect weather, the country might reach a maximum 700,000 tonnes.

Since this is Portugal not Erewhon, a top 1984 wheat harvest after good autumn and spring rains yielded 400,000 tonnes. The rest was imported from the U.S., for which Portugal is its second largest grain and oilseed client.

For the past decado the American connection has made up the difference between low yields in wheat, corn, barley and other grain, and demand. Briefly considered so underdeveloped that it qualified for grain aid, Portugal still benefits from concessionary loans under the U.S. Commodities Credit Corporation facility which allows repayment of grain purchase loans over three years instead of six months.

An entrenched grain purchasing monopoly, EPAC, handled imports, acquisition at government-fixed prices of locally-grown grain, storage and (often inefficient and tardy) distribution of seed.

The ritual might have continued for ever had Portugal not applied to join the EEC, which has firm ideas about sources of grain imports, farm prices and trading monopolies. Proximity to the Community—however much it agitates farmers who have often produced the wrong crop in the wrong place in the wrong season—is beginning to transform Portuguese agriculture.

Prices will be adjusted downward not upward over a decado until they reach Community averages. Farm prices are unnaturally high in Portugal because costs, for equipment, feedstock, fuel and so on, have risen far more than EEC averages.

Agriculture

DIANA SMITH

A 700m ECU agricultural aid programme, unique in the history of EEC accessions, will be funnelled into Portugal's agriculture over 10 years and spread to all facets of farming. These include infrastructure, including the improvement of dreadful rural roads, marketing, irrigation, and research to help farmers to help themselves produce higher yields and better quality at more economic cost, thus gradually offsetting the drop in unrealistic prices.

By degrees, EPAC's monopoly will cease with 20 per cent liberalisation of grain imports in 1986, the first year of EEC accession where suppliers will be allowed to bid for grain orders. New would-be suppliers on the scene, EEC grain producors, will be given a strong position in the bidding.

In animal feeds, the U.S. stronghold in oilseeds has undergono some incursions from the surprising direction of Thailand, which last year exported 140,000 tonnes of mandioc, cheaper than U.S. corn, for feed.

Improved pasturage, one of the benefits that access to EEC farming methods is expected to bring, will in due course lower imports of animal feed. Until then imports will be heavy—in the latter half of 1984 Portugal imported 1.8m tonnes of corn from the U.S., whose technicians and aid funds for tho past five years have been trying to help small farmers to apply lime to their acid soil and learn to produce more and better corn than the one man-ono cornstalk system on which moch of the North thrives.

The drama of Portuguese agriculture is that while other European countries invested in farming improvements, Portugal lay fallow. To catch up to EEC standards of quality, homogeneity of shape, weight and size of fruit and vegetables, standards of meat, poultry and dairy production, will require far more than the 700m Ecu aid and a decade of technical assistance, however intensive.

That is because the overwhelming majority of Portuguese farmers are alien to the market system in methods and attitudes. The 900,000 scratch, or part-time, farmers add up to chronic migraine for technicians and others trying to promote change.

They know that the only way to shift the country's agriculture into more productive gear is to persuade a generation of individualistic and fatalistic people—who have little if any representation, exchange of information or in many cases will to change—that profitability and productivity are synonymous.

This means curing the habits of centuries when the word "competition" was absent from the farming language. The therapy will be long, painful and as hard on the therapists as the patients.